

John J. ...

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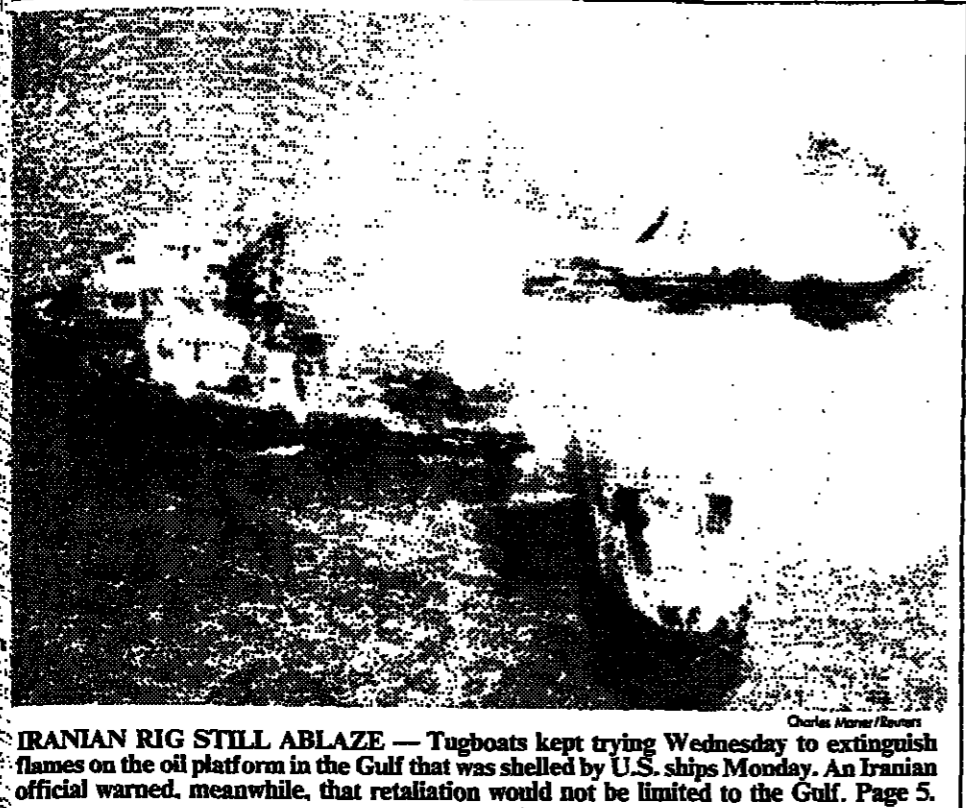
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ESTABLISHED 1887



IRANIAN RIG STILL ABLAZE — Tugboats kept trying Wednesday to extinguish flames on the oil platform in the Gulf that was shelled by U.S. ships Monday. An Iranian official warned, meanwhile, that retaliation would not be limited to the Gulf. Page 5.

Broad Rally Pushes Dow Up by Record; London and Tokyo Share in Recovery

Reagan Says He'll Listen to Tax Rise Idea

WASHINGTON — President Ronald Reagan, in an attempt to "show some leadership to the markets," said Wednesday that he was willing to listen to Democratic proposals for tax increases as a way of curbing the budget deficit.



Traders on the London Stock Exchange share a light moment during a break Wednesday.

NYSE Index Soars 10%, 186 Points

NEW YORK — The Dow Jones industrial average of major U.S. stocks soared a record 186.84 points on Wednesday, as institutional investors took advantage of low prices to return to the shaken stock market.

Kiosk Slander Hearing Opens in Poland

WARSAW (NYT) — A Polish court opened a hearing Wednesday into charges that the chief government spokesman had slandered four Polish citizens by asserting that they had subversive ties to an official of the U.S. Embassy.

Israel, Jordan and U.S. Said to Discuss Talks

JERUSALEM — Israel, Jordan and the United States are discussing a proposal for Middle East peace talks in which Jordan and Israel would negotiate directly under the joint auspices of Moscow and Washington, a senior Israeli official said Wednesday.

Markets Rebound Worldwide

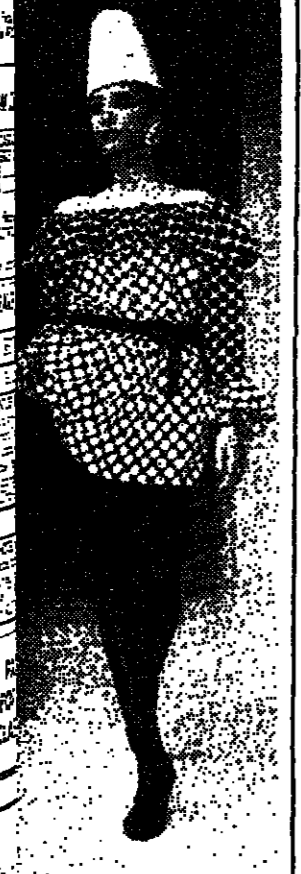
LONDON — Prices on stock exchanges from London to Sydney rebounded sharply on Wednesday, apparently in response to signs that Wall Street was weathering Monday's catastrophic selling spree.

World Stocks Recover

Table with 4 columns: City, Index, Point Change, Percentage Change. Rows include London, Paris, Frankfurt, and Tokyo.

A Port in the Storm, Dollar Remained Calm

PARIS — The maestro into which financial markets descended this week barely touched the dollar, leaving the foreign-exchange market in isolated calm.



Saint Laurent's designs ranged from the jazzy, as here, to the sober on the last day of the Paris collections. Page 5.

American Wins Nobel In Economics

CAMBRIDGE, Massachusetts — Robert M. Solow was awarded the Nobel Memorial Prize in Economic Science on Wednesday and immediately blasted President Ronald Reagan's economic policies and said the administration must raise taxes now to avoid recession.



Robert M. Solow, 63, in his office at the Massachusetts Institute of Technology.

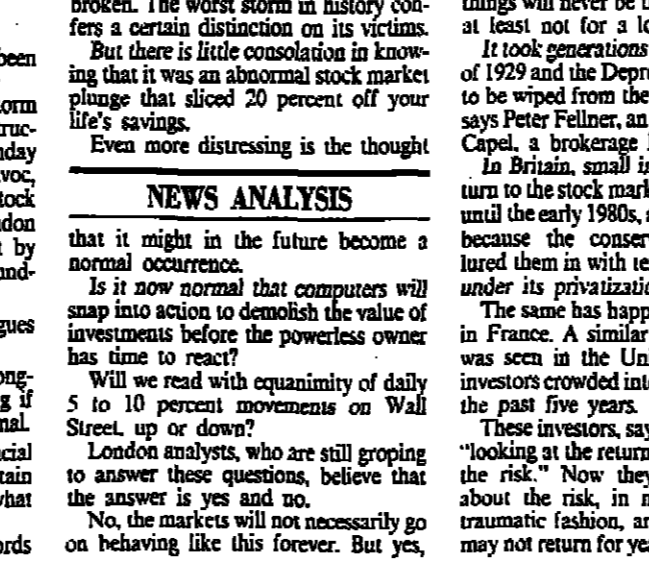
In London, a Longing to Return to Normal, Whatever That Is

LONDON — The past week has been unusually unpleasant in Britain. Early Friday morning, the worst storm in living memory cut a swathe of destruction through southern England. Monday and Tuesday wrought financial havoc, with record falls on the London Stock Exchange. And on Wednesday, London and its surrounding areas were hit by torrential rains and flooding, compounding the storm damage.

GENERAL NEWS: A longtime member of the Viet Politburo, Gredar A. Iyev, has been retired. Page 2. The U.S. market crash renewed rifts among Republican presidential candidates. Page 3. Indian troops and Tamil rebels both claimed control of the Sri Lankan city of Jaffna amid heavy fighting. Page 4. SCIENCE: Soviet scientists are planning to build the most powerful particle accelerator to study the composition of matter. Page 8. SPORTS: The Cardinals nipped Minnesota to cut the World Series ticket to 2-1. Page 17. BUSINESS/FINANCE: France postponed the public trial of Mitterrand, the defense and electronics group. Page 9. The NYSE suspended three member firms, citing "financial difficulties." Page 11.

close: UP 186.84 dollar in New York: 175 1.649 144.65 6.068

Wednesday's Dow



at least three important factors have changed, says Mr. Brown. Investors now will demand a higher risk premium before investing in equities; high yields in the bond market will continue to depress the stock markets; and the new reluctance by consumers to spend money will deflate the U.S. economy and, to a lesser extent, Japan's. U.S. policymakers will have to accept a higher rate of unemployment as a permanent feature of the economy.

# Politburo Member Is Retired In Apparent Fall From Favor

**The Associated Press**  
MOSCOW — The Communist Party Central Committee on Wednesday retired Geidar Aliyev from the ruling Politburo "for reasons of health," the Tass press agency announced.

Mr. Aliyev, 64, was absent from the last plenary meeting of the Central Committee in June, triggering speculation that he was ill or out of favor with the Kremlin hierarchy led by Mikhail S. Gorbachev.

Tass said, "The plenary meeting satisfied the request of Geidar Aliyev regarding his release from responsibility as a member of the Politburo, in connection with his departure on pension for reasons of health."

The former head of the security police in the Azerbaijan republic was the last man to rise to the party's ruling body under the patronage of President Leonid I. Brezhnev. He had been a Politburo member since November 1982.

Although Mr. Aliyev was considered an early supporter of Mr. Gorbachev, the industries for which he was responsible have been performing poorly and have repeatedly been criticized by the state-run media.

In addition to missing the last

Central Committee gathering in June, Mr. Aliyev was absent from the session that month of the Supreme Soviet, the nominal parliament, as well as from a major Central Committee conference on production of consumer goods, which is one of the two economic sectors for which he was responsible. Transport industries was the other.

Mr. Aliyev is the fifth Politburo member to be removed since Mr. Gorbachev came to power in March 1985. The others are Goryunov, Viktor V. Gritshin, Nikolai A. Tikhonov and Dinnukhamed A. Kunaev.

**Food Shortages Targeted**  
Philip Taubman of The New York Times reported from Moscow: Mr. Gorbachev, under increasing pressure to produce improvements in living standards, is pressing the party and government to alleviate chronic food shortages as quickly as possible.

Calling for urgent measures to improve the storage, processing and distribution of food, Mr. Gorbachev told party leaders Saturday that the country could not wait 5 to 10 years for adequate supplies of farm products.

Many Moscow residents say there is less food in the stores now than five years ago, and the lines that have been a hallmark of the Soviet economy for years have, if anything, increased.

The campaign, which Mr. Gorbachev discussed at a party conference over the weekend reflects his impatience at the slow pace of development.

It also marks the clearest sign to date that he feels mounting pressure to translate changes he has started into improvements in the availability of food and other consumer goods.

"If we fail to tackle urgent tasks, those which affect the everyday life of the nation, people will not understand us," Mr. Gorbachev told party leaders. "We cannot live with hopes alone. Many problems have to be tackled today."

More than two and a half years into Mr. Gorbachev's administration, Russians seem increasingly restive, complaining that he has called for extensive revisions in the economic system, and increased productivity, without providing any material benefits.

Outside Moscow, food shortages are more common and severe. Butter and meat are rationed in many places, the result not only of poor farm production but also of processing and distribution problems that are staggering.

The newspaper Sovetskaya Rossiya recently reported that 50 percent of the potatoes grown in the Russian Federation, the largest of the Soviet Union's 15 constituent republics, are lost.



Stranded passengers at Moscow's Sheremetyevo Airport wait for the fog to lift.

## Fog Shuts Down 3 Moscow Airports

**The Associated Press**  
MOSCOW — Heavy fog persisted in the Soviet capital for a third straight day Wednesday, continuing to halt flights to and from its three airports and stranding thousands of travelers.

Flights of Pan American World Airways, Air France and other international carriers, in and out of Moscow, were delayed indefinitely.

"Nobody's leaving," said a spokeswoman for Pan Am, who said the airline's Tuesday flight from Frankfurt had not been able to arrive.

The fog lifted in central Moscow during the day, but not sufficiently at outlying Sheremetyevo Airport to allow operations to resume. Sheremetyevo, which officials said probably would be closed all day, handles most international flights.

Radio Moscow said meteorologists predicted no improvement in visibility in the near future. Moscow-bound flights were rerouted to other cities, it said.

The dense fog was blamed for a

bus accident outside Moscow that killed 11 people.

The newspaper Sovetskaya Rossiya said a bus and car collided in fog on a bridge outside Moscow Tuesday morning, killing at least 11 bus passengers.

Late Tuesday, the official Tass press agency said 19,000 passengers were stuck at two Moscow airports that mainly handle domestic traffic.

"About 14,000 passengers are waiting on the weather at Domodedovo Airport," Tass said, "and roughly 5,000 are waiting at Vnukovo."

Tass said airport officials were trying to arrange train travel for stranded travelers. But most trains run at 100 percent capacity, as do most Aeroflot flights, so a quick resolution was difficult.

## WORLD BRIEFS

### UN Hears Plea to Help AIDS Victims

UNITED NATIONS, New York (NYT) — A doctor with the World Health Organization appealed Tuesday to societies everywhere to accept AIDS victims, stressing that the healthy can be protected against infection.

The doctor, Jonathan Mann, director of WHO's Special Program on AIDS, told the General Assembly that the world faced an "epidemic" of the incurable disease, with up to 3 million new active cases likely to develop within five years among the 5 to 10 million people now believed to carry the AIDS virus. This would mean a more than 10-fold increase over current levels in the number of active sufferers from acquired immune deficiency syndrome.

Such an increase would "raise mortality rates several fold among the economically and socially most productive groups, especially 25- to 45-year-olds," Dr. Mann said. He said AIDS victims should be allowed to retain their normal positions in society and should not be ostracized.

### Bonn Keeps Strict Radiation Limits

BONN (Reuters) — West Germany decided Wednesday to continue basing its standards for radiation levels in food on current European Community limits, rejecting efforts by its partners in the 12-nation bloc to ease them.

The Environment Ministry said the cabinet had agreed to maintain beyond their expiration date of Nov. 1 the EC levels of 370 becquerels for milk and milk products and 600 becquerels for other foods. West German newspapers have reported that the proponents of relaxed limits would then raise to 1,000 becquerels for milk and milk products and 1,250 for other foods.

The ministry said that Bonn would use the intervening time before the EC-wide limits expire to try to persuade its partners to agree to a new community norm.

### U.S. Grants Asylum to Soviet Dancer

DALLAS (AP) — A Soviet dancer who left the Moscow Ballet last week during his U.S. tour has been granted political asylum in the United States, immigration officials said on Tuesday.

Andrei Ustinov, 32, "has requested asylum and it has been granted; he will be staying in the United States," said Ronald Chandler, director of the U.S. Immigration and Naturalization Service's office here. Mr. Ustinov will perform with the Dallas Ballet on a three-month contract through the year's end.

Asked about his wife and 2½-year-old daughter who are still in the Soviet Union, Mr. Ustinov said through an interpreter that the couple had wanted to get a divorce, but that such a move was difficult in the Soviet Union. He said, however, he would try to bring his daughter to the United States.

### U.S. and Honduras Discuss Peace Pact

WASHINGTON (AP) — President Ronald Reagan and President Jose Azcona Hoyo of Honduras agreed Wednesday to press for full compliance by all parties with the Guatemala agreement for peace in Central America, a senior administration official said.

The official, speaking on condition he not be identified, said the two leaders also agreed that the Contra rebels in Nicaragua should be supported as a means of keeping pressure on the country's Sandinist government to comply with the agreement.

Last week, Mr. Azcona distanced himself from his counterparts in the region when he said the peace accord should be considered null and void if Nicaragua was not in full compliance by Nov. 5. The accord signed by the five presidents Aug. 7 in Guatemala City set a 90-day deadline for meeting its broad goal of halting civil wars in Nicaragua and El Salvador, and lesser conflicts in Honduras and Guatemala.

### Spy Aids U.S., Will Get Reduced Term

WASHINGTON (AP) — Sergeant Clayton J. Lonetree, a guard at the U.S. Embassy in Moscow who was convicted of spying for the Soviet Union, has agreed to cooperate with U.S. counterintelligence agents in exchange for a promised 5-year reduction in his 30-year prison sentence, the Marine Corps said Wednesday.

Chief Warrant Officer Randy Gaddo, a spokesman at the Quantico Marine Base in Virginia, said Sergeant Lonetree and the base's commanding officer agreed to an agreement after his August conviction. Sergeant Lonetree agreed to undergo extensive debriefing on his activities while assigned to the American embassies in Moscow and Vienna, and Lieutenant General Frank E. Peterson, the Quantico commander, agreed to the reduced sentence.

"Debriefings are being conducted by counterintelligence specialists in an effort to learn, first, of possible damage to the national security and secondly, the recruitment methods of hostile intelligence services," the spokesman said.

### Panamanian Protesters to Defy Ban

PANAMA CITY (AP) — A coalition of opposition groups will go ahead with a mass protest march Thursday in defiance of an official ban, coalition officials said Wednesday. The march is intended to put pressure on the government and to push for the removal of the nation's military leader, General Manuel Antonio Noriega.

The government, headed by President Eric Arturo Delvalle, has outlawed the demonstration and this week arrested 40 opposition leaders. Since the first week of June, when a former military leader made charges of corruption and fraud against General Noriega, there have been demonstrations seeking his removal almost daily.

Opposition forces are gathered in the Civic Crusade, which comprises 107 business and union groups and which called Thursday's protest as a "demonstration of force" against the military-led government.

### Caretaker Government Set in Belgium

BRUSSELS (Reuters) — Prime Minister Wilfried Martens of Belgium reached agreement with his coalition partners on forming a caretaker government Wednesday night, the national news agency Belga said.

Belgium's center-right government collapsed Monday over a language dispute and Mr. Martens, 51, was asked by King Baudouin to form an interim government until early elections could be held.

## TRAVEL UPDATE

### 8 More Airlines Join Transport Group

GENEVA (UPI) — The International Air Transport Association on Wednesday reported that eight new airlines have joined the agency to bring total membership up to 136 active and 32 associate members.

It said the new members are Dan-Air (Britain), Flight West Airlines (Australia), Affretair (Zimbabwe), Delta Air (West Germany), Wairarabia (New Zealand), Air Reunion, West African Airways (Gambia) and Connecticut (Britain).

A 4.8-mile-long underwater road tunnel that will connect four islands in western Norway was opened Tuesday by King Olaf. The tunnel links the islands of Ellingsoy, Valderoya, Giskoya and Godoya, 300 miles (486 kilometers) northwest of Oslo. (AP)

### Chile Acts to Strip Marxists of Rights

**The Associated Press**  
SANTIAGO — Chile's military junta has approved a law that strips convicted Marxists of the right to free speech and empowers the government to suspend them from their jobs and fine news organizations that publish their views.

The bill, approved Tuesday night, also foresees sanctions for any political party that seeks or accepts an alliance with Marxist groups.

Interior Minister Sergio Fernandez called the legislation "one of the most transcendental juridical-political steps" since the approval in 1980 of the constitution, which outlawed Marxist groups.

The measure was seen as an attempt to stifle Marxist activity in a single-candidate presidential ballot for next year.

President Augusto Pinochet, an ardent anti-Communist, was expected to sign the bill quickly, making it law.

General Pinochet overthrew the leftist coalition government of President Salvador Allende in 1973.

A constitution was approved in 1980 and provided for a return to democracy after a minimum of eight years.

The new measure applies to individuals or groups convicted of violating Article Eight of the constitution, which bans Marxist activity. It calls for the confiscation by the state of all goods belonging to individuals who violate the article "will public opinion through the communication media."

Under the bill, people who promote or participate in activities organized by such Marxist groups can be prohibited for up to five years from holding public office, jobs in teaching or journalism and leadership of educational, labor, professional, business and neighborhood associations.

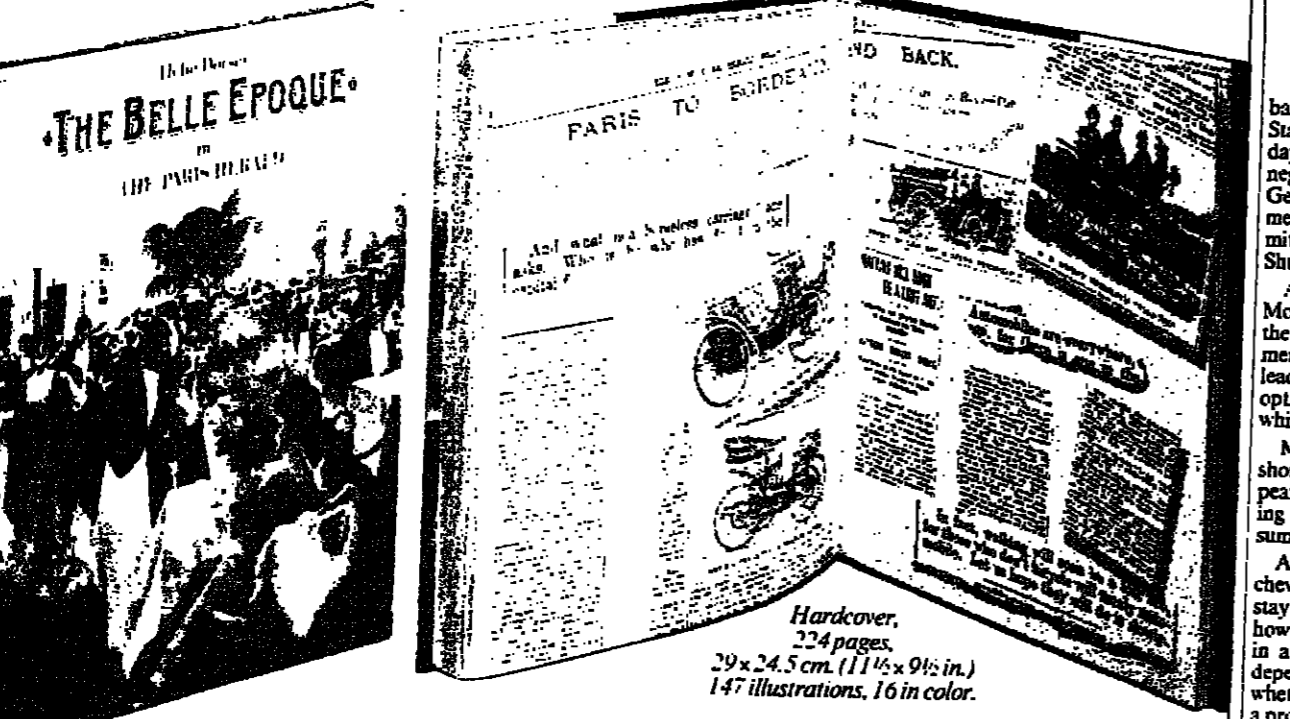
### Meese's Infant Grandson Dies in West Germany

**The Associated Press**  
WASHINGTON — The 14-month-old grandson of Attorney General Edwin Meese 3d has died at his home in West Germany, according to the Justice Department.

Mr. Meese's grandson, Andrew Scott Meese, died overnight Monday, department officials said Tuesday. The child, the son of Mr. Meese's son Michael, died in his crib and the cause of death was not immediately known.

Telecom Geneva 87. A message from Matra:  
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President Reagan and Prime Minister Gandhi after their meeting in Washington.

## Reagan and Gandhi Confer Amid Signs of Increasing Cooperation

By Neil A. Lewis  
New York Times Service  
WASHINGTON — Prime Minister Rajiv Gandhi and President Ronald Reagan have conferred during a visit by the Indian leader in what U.S. officials characterized as a new atmosphere of increased cooperation.

Leaving the White House after the meeting Tuesday, Mr. Gandhi expressed hope for better relations and Indian and American officials presented a list of initiatives designed to emphasize an effort by both nations to cooperate more.

Mr. Reagan said he "assured Mr. Gandhi that our objective is stability and reduced tensions in South Asia and that our assistance is not directed against India."

Mr. Gandhi has often complained that the United States has not done enough to prevent Pakistan from building nuclear weapons. "We do not have nuclear weapons," Mr. Gandhi said. "We do not want nuclear weapons, and we certainly do not want nuclear weapons in our neighborhood."

The package of initiatives unveiled Tuesday included a renewed decision to go ahead with the joint construction of a new Indian combat aircraft and the resolution of a disagreement over India's purchase of a new American supercomputer. India has maintained close relations with the Soviet Union, and Washington and New Delhi have regarded each other warily for years. But Tuesday, an administration official said Mr. Gandhi appeared to have decided to change the nature of that relationship.

"India is seeking a more balanced relationship between the United States and the Soviet Union," the official said. "Rajiv Gandhi wants the United States to be more of a player and is no longer scared to say so."

Another official said that providing American technology had proved to be a vehicle for improving relations. Progress had been stalled on the joint production of the light combat aircraft while Indian and American officials negotiated over the variety of high-technology elements to be used for the plane's structure.

Earlier this month, India also settled a dispute over what variety of supercomputer it would purchase from the United States. American officials said the opportunity to improve relations with New Delhi comes at a time when Washington's relations with Pakistan, India's regional rival, are growing more fractious.

American aid to Pakistan was suspended after Congress declined to extend a waiver to nations sus-

pected of developing nuclear weapons. While congressional leaders informed Mr. Gandhi that the aid was likely to be renewed, administration officials acknowledged that a Pakistani request for advanced early warning radar planes had been pushed back.

India was deeply concerned over the possibility of Pakistan's acquiring the planes, which the administration was preparing to supply to help counter Soviet attacks across the Afghan border.

An administration official said Mr. Gandhi, who was in North America for a meeting of Commonwealth nations in Canada last week, had altered his schedule to confer with Mr. Reagan. The official said the ease with which the visit was arranged was a symbol of improved relations.

But another official cautioned that even with good intentions on the part of both leaders, "there are formidable obstacles to expanding and improving the relationship."

American officials also said they hoped Mr. Gandhi would mute some of his anti-American statements. He recently has suggested in political gatherings that the United States has been trying to destabilize India. An American official said such remarks in a political context "are largely discounted," but added, "That doesn't mean it goes down easily."

Such restraint, as President Herbert Hoover learned, can be precisely the medicine that spurs a depression, several economists said.

What is clear, said Kirk O'Donnell, a Democratic political analyst, is that the Democrats have almost always done best when economics comes to the fore.

By reviving memories of Mr. Hoover, he said, the market slide could undermine what had been viewed as Ronald Reagan's most formidable achievement.

"The Republicans had gone a long way in casting off the image as the party of hard times and creating a new image as the party of prosperity," he said. "This could reverse that progress."

All the Democratic candidates blamed Mr. Reagan's policies, and particularly the budget deficit, for the market's troubles, while remaining generally cautious and conciliatory.

## Market's Crash Opens Rifts In Field of U.S. Republicans

By E.J. Dionne Jr.  
New York Times Service  
WASHINGTON — The stock market's plunge threatens to divide the Republican presidential field, as the party's candidates scramble to contain the damage they fear the downturn on Wall Street may inflict on their chances in 1988.

What may have been the most important statement came from Senator Bob Dole of Kansas, the leading rival of Vice President George Bush.

While his aides insisted that his comments on the Senate floor Tuesday morning were not meant as criticism of President Ronald Reagan, he pointedly said that "someone has to take charge" and called for presidential leadership.

Mr. Dole later softened the impact of his comments by praising a statement by Mr. Reagan expressing his willingness to meet with Democratic leaders to discuss steps to stabilize the economy.

"His statement will reassure American investors," Mr. Dole said. Nevertheless, his careful effort to distance himself from the White House's earlier tough stand against Democratic budget proposals was one of a number of divisions that opened in Republican ranks.

On Monday, Representative Jack F. Kemp of New York criticized statements last week by Treasury Secretary James A. Baker 3d, which he said had helped set off the stock market decline.

On Tuesday, Alexander M. Haig Jr., former secretary of state under Mr. Reagan, directly criticized the administration's budget policies, saying that they had helped bring on the decline.

Republicans and Democrats saw the Wall Street plunge as most dangerous to the presidential aspirations of Mr. Bush, who has led Mr. Dole in the public opinion polls.

He maintained silence on the market's downturn, but his aides said that he would not abandon the president at a time of crisis. That course, in any event, would be hazardous for a vice president, politicians in both parties agreed.

Democratic presidential candidates continued to criticize the administration for its fiscal and trade policies. But they generally followed the Democratic congressional leadership in emphasizing the need for a bipartisan approach.

Both Governor Michael S. Dukakis of Massachusetts and Senator Albert Gore Jr. of Tennessee issued calls for such action, with Mr. Gore speaking of the need for a "dynamic summit."

The Democrats' caution also reflected what several economists see as a serious question for the party: whether raising taxes and cutting spending are appropriate tactics if the country is about to enter hard economic times.

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By reviving memories of Mr. Hoover, he said, the market slide could undermine what had been viewed as Ronald Reagan's most formidable achievement.

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All the Democratic candidates blamed Mr. Reagan's policies, and particularly the budget deficit, for the market's troubles, while remaining generally cautious and conciliatory.

Aides to several candidates said the Democrats did not want to appear to aggravate already jittery markets or to be seen as "talking down" the American economy.

Political leaders agreed that Monday's crash would cast doubt on Reagan administration policies and Republican claims of economic success, even if it did not mark the beginning of a recession.

Mr. Dole's statement on the Senate floor reflected this sense of danger both to the economy and, indirectly, to his party.

"In the final analysis," he said, "someone has to provide the leadership, someone has to take charge, someone has to provide a forum so that we can discuss problems af-

fecting the market and maybe find out what some of the answers are.

"In this country," he continued, "there is only one person who can provide that leadership, and that is the president of the United States."

In response, Mr. Bush's aides insisted that they would welcome a sharp turn away from Mr. Reagan's economic policies by Mr. Dole, arguing that Republicans will remain loyal to the president.

"Anyone who wants to jump away from Reaganomics in the future will look foolish," said Lee Atwater, Mr. Bush's campaign manager. "I would say go ahead, step away from Reaganomics and make George Bush's day."

## Reagan News Conference Set

The Associated Press  
WASHINGTON — President Ronald Reagan will hold a nationally broadcast news conference at 8 P.M. on Thursday, his chief spokesman announced Wednesday. He did not say whether Mr. Reagan would have anything to announce.

It will be Mr. Reagan's first session with the press since June 11, in Venice, at the end of a seven-nation economic summit meeting. He has had only one formal East Room press conference this year. That was March 19, four months after his previous news conference.

Mr. Fitzwater was asked whether Mr. Reagan would announce a date for a summit meeting with the Soviet leader, Mikhail S. Gorbachev, in view of the move by the two superpowers toward agreement on the final details of a treaty to eliminate intermediate-range nuclear weapons. "It's not the reason for calling the press conference," he said.

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## Weinberger Insists He's Not Resigning

New York Times Service  
WASHINGTON — Defense Secretary Caspar W. Weinberger ordered his spokesman, Fred Hoffman, to deny categorically and vehemently a report last week by CBS news anchor Katie Couric that Mr. Weinberger wanted to resign.

Mr. Hoffman, calling news organizations even before the report was aired, said his boss would leave office only at the end of the Reagan administration.

But reports continue to circulate among senior Pentagon officials that Mr. Weinberger may leave before long. He himself did not flatly deny Monday, saying at a news conference, "When and if there is any change involved, I think you will be either the first or the second to know it."

One official said Tuesday that Mr. Weinberger had been consider-

ing leaving for some time. What keeps him there, associates say, is an indefatigable pleasure in his job, the more so when the battle of the budget, military activity in the Gulf, administration infighting over arms control and other causes press upon him.

"He likes the role of Horatio at the bridge," another official said. But his wife, Jane, is not in good health, a consideration that some-

believe will persuade him to leave at an opportune moment — perhaps not when it is being widely predicted.

Among those considered likely candidates to serve out the remaining months of the administration should Mr. Weinberger depart are his deputy, William H. Taft 4th, former Senator John Tower of Texas, and former Senator Paul Laxalt of Nevada.

## Geneva Bans a Speech Scheduled by Le Pen

Reuters  
GENEVA — The Swiss canton of Geneva has banned Jean-Marie Le Pen, the rightist French politician, from fulfilling a speaking engagement on Nov. 8 before the International Circle of Economic and Political Studies. The canton said

his presence would be a threat to public order. Mr. Le Pen, leader of the National Front and a candidate for president, created controversy when he said last month that the Nazi gas chambers were a "minor point" in the history of World War II.

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# In Seoul Opposition Bulwark, Eggs and Tear Gas for Roh

By Fred Hiatt  
Washington Post Service

**KWANGJU, South Korea** — The leader of the ruling party, Roh Tae Woo, carried a message of reconciliation into this stronghold of government opposition Wednesday, but received a response that showed the challenge he faces in his campaign to be elected president of South Korea.

Mr. Roh met small, unenthusiastic and at times hostile crowds as he toured this provincial capital, site of a major uprising against the military government in 1980 and stronghold of support for Kim Dae Jung, an opposition leader.

Twice Wednesday, protesters pelted Mr. Roh with eggs and once he was whisked away from demonstrators throwing tear-gas grenades.

Mr. Roh's reception contrasted sharply with the huge, good-natured crowds that greeted Mr. Kim here last month.

Another opposition leader, Kim Young Sam, is also seeking the presidency.

Campaign aides to Mr. Roh, who will be the ruling party candidate in the December presidential election, stressed that Mr. Roh is not seeking to compete with the two Kim in attracting huge crowds. They said he should be praised for venturing into unfriendly territory in an effort to ease the bitterness that courses through this nation's politics.

"When we go to other areas, the response is very different," said

Hyun Hong Choo, deputy secretary-general of the ruling Democratic Justice Party. "This is Kwangju. It's very understandable."

When a group of army generals, including Mr. Roh and the current president, Chun Doo Hwan, seized power in a 1980 coup, soldiers here gunned down large numbers of unarmed protesters. The government acknowledged killing about 200 civilians, while many Kwangju residents insisted 2,000 died.

The government never apologized for the incident, but instead branded the casualties as lawless rebels. Kwangju became a rallying cry for opponents of the Chun government.

Now Mr. Chun has promised to step down as president and his comrade, Mr. Roh, is seeking to succeed him in South Korea's first free election in 16 years. Mr. Roh met with relatives of the Kwangju victims Wednesday and promised

for the first time to erect a monument in their honor and pay financial compensation if he is elected.

His appeal won support from some, but many others remained hostile. Several mothers of youths killed in the Kwangju uprising pelted him with eggs and shouted "Murderer go home!" as he entered a gymnasium for an indoor rally Wednesday morning.

Mr. Roh was splattered but unharmed, and he later shrugged off the incident as a "spicy byproduct on our road to democratization."

But he seemed to generate little support, even among those who turned out to greet him. A 25-year-old teacher trainee waving a flag as he passed said that she had come only out of curiosity and that most of the other dozens of onlookers were party or government officials.

"If he tried to hold a mass rally here like Kim Dae Jung, stones would pour down on him," she said.



Roh Tae Woo and aides fleeing tear gas Wednesday in Kwangju, South Korea.

# South Africa Seeks Allies Among Island Neighbors

## Foreign Aid Program Brings Cattle And Rumors to Equatorial Guinea

By James Brooke  
New York Times Service

**MOKA, Equatorial Guinea** — High on a flank of an extinct volcano here on the island of Bioko, Hilton Lack set down to a ranch breakfast after radioing his daily herd report to South Africa.

"South Africa is isolated and looking for friends," the burly rancher said between bites of steak from cattle raised on the island. "We are trying to show people we are not devils with horns."

South African aid workers first arrived in November 1985 in Equatorial Guinea, a small nation on the coast of West Africa south of Nigeria. Embarking on a \$700,000-a-year aid program, they now raise sheep and beef cattle, offer free medical assistance to villagers and are rebuilding a 16-mile (26-kilometer) mountain road from Moka to the sea.

Their presence in the former Spanish colony is part of a new South African policy to win friends on small African islands with big airfields. Equatorial Guinea consists of Rio Muni, on the continent, and several islands, including Bioko, the largest, in the adjacent Gulf of Guinea.

On the east coast of Africa, the South Africans have started similar cattle-breeding projects in the Comoro Islands and on Mauritius.

Western diplomats speculated that the South Africans invest in Bioko as insurance against tighter

trade and transportation sanctions. South Africa's airline, which has been denied landing rights in many continental African nations for years, may want to use the international airport at Malabo, the nation's capital, to lessen its reliance on Cape Verde, where many of its long-distance flights are routed. Malabo is on Bioko. Cape Verde is farther from South Africa, in the eastern Atlantic nearly 400 miles west of Dakar, Senegal.

If trade sanctions are tightened, South Africa could maintain its trade links with the outside world by transshipping imports and exports through Malabo, a deepwater port.

Indeed, when a planeload of South African businessmen flew into Malabo last week, the small seaport of 25,000 residents was abuzz with rumors that the South Africans had come to buy Nigerian oil through intermediaries in Equatorial Guinea.

Ninety miles north of Bioko is Calabar, Nigeria, a major oil-exporting port for sub-Saharan Africa's largest oil exporter, but Nigeria, the world's most populous black-ruled nation, is hostile to the South African presence in Equatorial Guinea.

"We know and everyone knows that the South Africans are here," the Nigerian ambassador, Festus B.I. Porbeni, said in an interview in Malabo. "We are waiting to see if anything develops out of this that threatens our security."

# Indian Police Arrest 250 Near Main Sikh Shrine

The Associated Press

**AMRITSAR, India** — Police raided the complex around the holiest Sikh shrine Wednesday and arrested 250 people in an effort to block a scheduled rally by militant Sikh separatists.

Meanwhile, in New Delhi, a police alert was declared after suspected Sikh extremists killed 11 civilians in overnight attacks. Police and troops entered the

city morning and searched guest houses and offices, a police spokesman said. Police and troops did not enter the temple itself, he said.

Past raids on the temple have enraged members of the minority Sikh religion. In June 1984, the army seized control of the shrine, leaving an estimated 1,200 people dead, mostly Sikhs. Among the complex surrounding the Golden Temple in Amritsar early Wednesday

was Jarnail Singh Bhindranwale, a militant Sikh preacher. Former Prime Minister Indira Gandhi, who ordered the June raid, was assassinated in October of that year by her Sikh bodyguards.

Police have carried out several searches recently around the temple in an attempt to round up Sikhs fighting for a separate nation in Punjab. Militants were scheduled to hold a rally Thursday to discuss forming a council that would rule their separate nation.

A Sikh spokesman said most of those arrested Wednesday were pilgrims visiting the shrine. Police said women and children were among those seized and would probably be released soon.

A spokesman for militant Sikhs said the *sarbat khanda*, or general convention of Sikhs, would be held Thursday as planned despite the police action.

The militants have said they want the meeting to approve a so-called Khalistan Council to rule their nation. Khalistan, meaning land of the pure in the Punjab language, is the name the radicals use for the homeland they hope to establish.

Earlier this week, police arrested the three Sikh high priests who called for the convention. Police on Wednesday imposed a round-the-clock curfew in Amritsar, then lifted it from 2:30 P.M. to 5 P.M. to allow people to go shopping.

In New Delhi, gunmen suspected of being Sikhs shot and killed 11 civilians in overnight attacks.

Extra police were deployed to control angry residents who gathered in middle-class New Delhi neighborhoods where most of the victims died, police said.

Police shot and killed one of the attackers and were searching for

two others. The attackers opened fire with automatic rifles in at least three neighborhoods, with one attack aimed at a party held in advance of the Hindu holiday of Diwali, the festival of lights, which falls on Thursday, police said.

Tuesday's killings marked the third time suspected Sikh extremists had gone on a shooting spree in New Delhi in the last four months. On July 30, two members of a Hindu-dominated political party were killed. Sikh militants killed 14 people in a series of attacks on June 14.

Militant Sikhs have killed more than 840 people this year. Most of the victims were Hindus or moderate Sikhs. Although Sikhs are a majority in Punjab, they make up only 2 percent of India's almost 800 million people.

Sikhs allege discrimination by Hindus, India's majority.

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**Genscher Due to Make Landmark Albania Visit**

Reuters

**BONN** — West Germany's foreign minister, Hans-Dietrich Genscher, will be the first Western foreign minister to pay an official visit to Albania when he holds talks there Friday, the Foreign Ministry said on Wednesday.

Three weeks ago, after years of effort, West Germany succeeded in establishing diplomatic relations with Albania. Diplomatic sources in Bonn said the development reflected Albania's recent adoption of a more open policy towards the West, formerly viewed with intense suspicion by its leaders.

**Indians and Tamils Both Claim Control of Jaffna**

Reuters

**JAFFNA, Sri Lanka** — Hundreds of heavily armed Tamil rebels were still in control of Jaffna despite Indian claims to have captured central parts of the port city. Guerrillas moved freely Tuesday in the center of the city to demonstrate their control after a 12-day Indian assault that the rebels said had cost more than 650 lives.

In the first independent eyewitness account of the fighting in Jaffna, a Sri Lankan correspondent for Reuters said the Liberation Tigers of Tamil Eelam were holding off the Indian troops at the outskirts of the city.

A spokesman for the Indian government in New Delhi said Monday that its troops were "mopping up" after seizing central public buildings in the face of stiff opposition. The External Ministry spokesman said a column of troops from the west had linked up with

paratroops from Jaffna Fort and seized the city center.

About 17,000 Indian troops are in Sri Lanka trying to enforce a peace accord signed July 29 between representatives of the Tamils and the Sinhalese majority.

Tens of thousands of civilians have become refugees in their own city. About 50,000 were huddled for safety in and around the large Hindu Nallur temple.

"I saw a lot of people with gunshot wounds including some boys and girls," said a medical student who had sought shelter in the temple. She said two people had died of dysentery.

She said refugees shuffled back and forth to their homes to collect food and many had been wounded in the cross fire between the Indians and the rebels.

Indian troops launched the latest assault against the guerrillas on Oct. 10 after the rebels, who are demanding an independent homeland in the north of the country, repudiated the peace accord and killed about 200 Sinhalese.

Hundreds of people were seen streaming out of the Jaffna Peninsula in buses, lorries and cars flying white flags.

Indian soldiers manned checkpoints on main roads leading to the city.

Refugees said both sides had committed atrocities in what was the most violent fighting during four years of ethnic violence.

"Anyone in the world valuing human life should step in and stop the annihilation in Sri Lanka," said R. Balasubramanian, president of the Jaffna Red Cross.

He described the population at Jaffna as being under constant threat from artillery shells and bursts of machine-gun fire from Tamil and Indian positions.

Hundreds of buildings bore the scars of bullet, grenade and artillery fire.

An official at the Jaffna hospital said, "There is no electricity, wards are in darkness except two emergency rooms and there is no water."

"We have blood that can only last three weeks and quite a number of patients are dying. We are also short of drugs," the official said. He said there were 557 people

# Uganda-Kenya Ties Take A Turn for the Worse

By Sheila Rule  
New York Times Service

**NAIROBI** — A crisis in relations between Uganda and Kenya has deepened, with Uganda stationing troops at the border and Kenya pledging to retaliate against any Ugandan attempt to cross the frontier in pursuit of rebels.

Tensions between the two East African countries, which have long been uneasy neighbors, began rising last year. Each has accused the other of harboring and assisting insurgents, a charge that both nations deny.

President Yoweri Museveni of Uganda, whose army is fighting several groups of rebels in areas of northern and eastern Uganda that border Sudan and Kenya, recently said troops would be stationed permanently along the border to halt guerrillas from making cross-border raids from Kenya.

Uganda said Kenya-based rebels were killing civilians, including elected government councilors. It has given the authorities here a list of people it says are using Kenyan territory to help the insurgents, but one Kenyan official has called the names on it fictitious.

"We know the identities of these thugs and their exact locations in Kenya," an administrator in the Ugandan border district of Tororo said recently. "And these details have been handed over to the Kenyan authorities. Unfortunately, the Kenyans have not responded."

Kenya's president, Daniel arap Moi, who has cracked down on a clandestine group seeking to topple his pro-Western government, warned last month that any attempt by Uganda to send troops across the border would be met with fierce retaliation. Uganda has said it has no plans to pursue rebels into Kenya.

Earlier this month, Justus Ole Tipis, the Kenyan minister of state who is responsible for defense and security in the office of the president, denounced the stationing of Ugandan troops on the border as a "hostile act short of declaration of war against Kenya."

The situation has been further strained by a recent influx of Ugandan refugees into Kenya's border district of Busia. More than 2,000 refugees have crossed into the district to escape fighting between government troops and guerrillas in southeastern Uganda. The refugees have told reporters that Ugandan government soldiers abused them and falsely accused them of supporting rebels reportedly based in Kenya.

Some Kenyan administrators have appeared suspicious of the refugees, suggesting that some could be rebels seeking to use Kenya as a base for raids across the border.

Press reports have added ammunition to the mounting war of words, with newspapers here and in Kampala, Uganda's capital, publishing what the two governments consider hostile propaganda.

A recent report in The Standard newspaper in Nairobi said Kenyan youths recruited by Libya had received "hard-core commando training" in Tripoli and were now back in Uganda. Local press reports this year asserted that Uganda had helped 200 Kenyan dissidents travel to Libya for military training to overthrow Kenya's government.

Tensions between the two countries began rising sharply in September 1986, when Colonel Moammar Gadhafi, the Libyan leader, visited Uganda.

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**Japanese Decide To Base New Jet On the U.S. F-16**

Agence France-Press

**TOKYO** — The Japan Defense Agency decided Wednesday to adopt the U.S. F-16 fighter made by General Dynamics Corp. for remodeling into a new Japanese support fighter, in the first such joint development program, Japanese sources said.

The General Dynamics plane had been in competition with the F-15, made by McDonnell Douglas Corp.

The agency's director-general, Yuko Kurihara, and Defense Secretary Caspar W. Weinberger, agreed during recent talks in Washington to remodel the U.S. F-15 or F-16 fighter into a new Japanese plane, code-named the FSX.

The decision will be made formal at a meeting Friday of Japan's National Security Council, which is to be chaired by Prime Minister Yasuhiro Nakasone, the sources said.

The agency chose the F-16 mainly because of its lower cost, due to fuel efficiency. Each FSX is expected to cost \$30 million to build.

The F-16 can also use more Japanese technology, including an advanced radar system called phased-array radar, officials said.

The remodeled F-16 will have larger main wings, capable of carrying four air-to-ground missiles, they said.

سكس من اجل

# Iranian Says Retaliation Against U.S. Will Not Be Confined to Gulf Region

**United Press International**  
**BONN** — A senior official of Iran's Foreign Ministry said Wednesday that retaliation for the U.S. destruction of an Iranian oil platform Monday would not be confined to the Gulf.

Ali Ahani, general director for political affairs in the ministry, said a news conference in the Iranian embassy that he hoped Iran would answer the U.S. naval attack soon.

"We have been restrained," he said. "But this last attack will get an appropriate answer."

Asked if U.S. bases in countries in the Gulf region would be attacked, Mr. Ahani said Iran would not violate the sovereignty of other nations to attack the United States.

"But this does not mean we will restrict our answer to the Gulf," he said.

He said Iran was studying various plans of retaliation to be executed at the proper time.

**Senate Backs Reagan**  
 The U.S. Senate voted unanimously Wednesday to reaffirm President Ronald Reagan's authority to protect U.S. servicemen and

ships in the Gulf. The Associated Press reported from Washington.

The proposal was introduced by Senator Bob Dole of Kansas, the Republican leader, who told his colleagues: "I think the president has the right to do what he is doing, not make war, but protect the international shipping lanes."

The 94-0 vote on Mr. Dole's amendment came as the chamber worked toward probable approval of a measure delaying until next year any substantial decision on whether to approve Mr. Reagan's overall policy in the Gulf region.

On a separate but related issue, the Senate delayed any decision on whether to try to invoke the War Powers Act until after it votes on Mr. Reagan's nomination of Judge Robert H. Bork to the Supreme Court.

Mr. Dole's amendment was attached to a pending resolution. That measure requires a detailed report from Mr. Reagan within 60 days, answering a variety of questions about his policy of refueling 11 Kuwaiti tankers and protecting them with navy convoys in the Gulf.

Then, 30 days later, the Senate would vote on a resolution expressing either support or disapproval of Mr. Reagan's policy.

**3 Warships Join Convoy**  
 Three more American warships joined a convoy of U.S.-flagged Kuwaiti tankers Wednesday as it resumed its voyage out of the Gulf, The Associated Press reported from Manama, Bahrain.

Gulf shipping sources said the latest convoy, which stopped overnight north of Bahrain, would sail past the smoldering oil platform that U.S. warships shelled Monday.

The Pentagon said the convoy was composed of the 79,999-ton product carrier Ocean City, the 46,723-ton liquefied petroleum tanker Gas King, the navy frigates Ford and Hawes, the cruiser Standley and the amphibious landing ship Raleigh.

Shipping sources, speaking on condition of anonymity, said the two tankers, accompanied by the Ford, linked up with the other three U.S. warships overnight.

# Poll Finds 76% Support U.S. Attacks

**The Associated Press**  
**WASHINGTON** — The U.S. attack on Iranian installations in the Gulf is supported by 76 percent of those queried in an ABC-Washington Post poll, and 63 percent would like to see even stronger U.S. action.

The telephone poll of 507 people was conducted Monday after U.S. warships attacked Iranian offshore military installations. U.S. ships shelled two oil platform structures, destroying one and setting another ablaze.

Of the respondents who had heard or read of the attack, 76 percent said they approved of the action and 22 percent disapproved. Two percent had no opinion.

Asked about the level of the U.S. action, 63 percent said they believed it was not strong enough, 21 percent felt it was strong enough and 13 percent felt it was too strong.

On another question, 80 percent of those polled said they believed that the U.S. should maintain a military force in the Gulf. Seventeen percent did not agree with an American military presence in the Gulf and 2 percent had no opinion.

Asked if the U.S. presence in the Gulf was important enough to risk war, 67 percent said yes, 30 percent said no, and 2 percent had no opinion.

The poll had a margin of error of plus or minus 3 percentage points.

# Saint Laurent's Sobriety And Playtime Fantasies

**By Bernadine Morris**  
*New York Times Service*  
**PARIS** — The Yves Saint Laurent collection ended in a flurry of models twirling down the stage dressed in pastel colored tunics with the ribbons of their satin espadrilles tied around their ankles. They were joined by men in jeans, white shirts and colorful satin ties carrying posters that read "Homage David Hockney."

The collection seemed mysterious until the designer explained that he wanted to honor the British painter "for his wonderful colors and all the work he has done for the theater." He also wanted to end his show "on a note of celebration," he added. The dancing girls accomplished that.

It was not a bad idea, considering the depressing number of baby clothes and vamp outfits that have dominated the runways of most designers this week. In making their point that clothes are going to be short — it is practically the only point they made, if you don't count the unusual emphasis on old-time accessories such as hats and gloves — designers seemed to lose sight of the fact that they were making clothes for grown-up women to wear to work as well as to play.

The fluffy Saint Laurent ballet dresses in red, white and pastel tulle are obviously meant for dancing. But before they appeared, there were plenty of relatively serious styles such as well tailored double breasted jackets and collarless jackets fastening with one button at the waist. In wool or colored leather, they were the fulcrum of daytime outfits that could be practical (add a dark skirt) or jazzy (add a gold leather skirt or, livelier still, two fabric pants, with shiny gold leather in front, black suede at the back.)

Pants were a sign of the designer's relative sobriety. Unlike many designers who banished trousers to fashion limbo because they didn't want to interfere with their short skirt message, Saint Laurent gave them a place in his current fashion picture. Most of his trousers are thin and tapered, but he showed full harem pants in bold stripes or prints for play. Bermudas, billowing bloomers and tight bicycle pants are also part of his spectrum.

His playtime clothes are filled with fantasies such as ruffled necklines falling off one shoulder, cotton dresses with flouncy tiers and corselet tops with full skirts or bicycle pants. There is even the obligatory flirt with nudity, such as the bra made of two pompons and the striped miniskirt, not quite long enough to cover black underpants.

Still, the designer deserves credit for not losing his head because of the new hemlines. He makes it possible for women to look tidy, though of course they can choose to look ridiculous.

At the dinner party she gave at the Residence Maxim after her show Tuesday night, Jacqueline de Ribes wore a coral colored crepe dress with tiny ruffles spiraling around the skirt. Dianne deWitt wore a de Ribes black stretch cloque dress with a white organza collar that she had modeled in the show. The sultry designer and the blond model both looked distinguished in dresses that stopped a handspan above their knees.

A perennial on best dressed lists in the five years since she decided to make clothes rather than buy them, she has developed her own way of doing things. Her short clothes never look skimpy. She favors wide midriffs, full above and below the hipbone. Further softened by frilly tiers and fluttery pleats, her short clothes look easy to wear as well as topical.

As an alternative to the frivolous short



Saint Laurent's see-through tiger striped cocktail dress.

evening dress, she suggests navy and white silk pants topped by a white lace blouse twinkling with sequins. Her long dresses, in assertive colors such as royal blue, hot pink, turquoise and violet, continue her specialty, but she has shown her biggest growth as a designer in her daytime clothes.

"She has revived the old-time glamour," said Lynn Manulis, president of Martha's. "Every woman in Palm Beach will want to look like that."

# MIDEAST: Israel, Jordan and U.S. Discuss Peace Talks

**(Continued from Page 1)**  
 The Soviet Union would give as joint umbrella for direct talks between Israel and Jordan, and any other Arab states that might want to attend, as well as a Palestinian delegation. A similar arrangement was used in the 1973 Middle East peace conference in Geneva.

Under such a format, Hussein would feel that he has the "cover" of the Soviet Union against radical Arab critics. Mr. Shamir could feel that he is getting direct negotiations with Jordan, without having country exposed to pressures from a variety of extraneous states, which might have been invited to a

full-fledged international conference, the Israeli official said.

Although Mr. Shamir adamantly opposes an international conference format, he agreed that Mr. Shultz could explore this compromise proposal with Hussein and the Soviet Union.

Mr. Shamir and Mr. Peres also have set tough terms for Soviet involvement, which Mr. Shultz will convey to Moscow.

First, the Israelis are insisting that Moscow restore full diplomatic relations with Israel, which the Kremlin severed in 1967, before the Soviet Union can attend.

Second, the Israelis are demanding a substantial shift in Soviet emigration policies to allow for a large

number of Soviet Jews to come to Israel.

Mr. Peres is ready to discuss a specific quota of Soviet Jews to be freed, while Mr. Shamir is demanding that the Kremlin accept the principle that all Soviet Jews have the right to return to their homeland, a much tougher demand, an Israeli official said.

Moscow has repeatedly declared that it would not resume diplomatic relations with Israel until it withdrew from the territories it occupied in the 1967 war.

As for the question of Soviet Jewry, Moscow has always said that this was an internal affair and not a subject for bilateral negotiations.

According to Vladimir Titov, his years in the Orlov psychiatric hospital were a "horror": months of lying motionless on the bed, watching patients turn to suicide, and being given so many forced injections that his tongue swelled.

Mr. Titov, 49, was hospitalized in 1982 after telling Westerners that Soviet prison labor was being used to build the gigantic Siberian natural gas pipeline.

In all, he spent 12 years in mental clinics after abruptly ending a five-year tour with the KGB security police in 1961.

Freud last week, Mr. Titov was given a visa to Israel and ordered to

# Soviet Mental Wards Are Called Prisons

**By Gary Lee**  
*Washington Post Service*  
**MOSCOW** — A former KGB agent, just released from a five-year stay in a mental clinic for passing information to the West, has described harrowing conditions faced by Soviet citizens who run afoul of the law and are placed in psychiatric hospitals.

According to Vladimir Titov, his years in the Orlov psychiatric hospital were a "horror": months of lying motionless on the bed, watching patients turn to suicide, and being given so many forced injections that his tongue swelled.

Mr. Titov, 49, was hospitalized in 1982 after telling Westerners that Soviet prison labor was being used to build the gigantic Siberian natural gas pipeline.

In all, he spent 12 years in mental clinics after abruptly ending a five-year tour with the KGB security police in 1961.

Freud last week, Mr. Titov was given a visa to Israel and ordered to

leave the Soviet Union by the end of this month, he said.

His account was buttressed by those of other former patients at a news conference offered by dissidents for Western journalists Tuesday, and by interviews with other ex-patients.

These accounts highlight the use of one of the harshest punishments the Soviet Union has used to crack down on political dissidents: hospitalization.

Under the current human-rights thaw, some of the best-known Soviet dissidents hospitalized for their political activities have been released.

Earlier this year Anatoli Koryagin, a psychiatrist imprisoned in 1981 for examining a number of dissidents who had been placed in mental hospitals and diagnosing them as sane, was set free and allowed to emigrate.

In an article published recently in the government newspaper, Izvestia, a Soviet journalist and legal expert complained of abuses of Soviet psychiatry and proposed revision of the terms under which patients are confined.

Mr. Titov and other Soviet dissident sources charged, however, that conditions in the clinics were worsening and that political dissidents were still suffering alongside actual mental patients.

The number of political prisoners in mental hospitals is unknown. Some Western sources estimate it at about a thousand.

It must be "several thousand," Sergei I. Grigoryants, a former political prisoner and editor of the independent periodical Glasnost, said Tuesday.

As editor of a new journal devoted largely to Soviet human-rights issues, Mr. Grigoryants said, "I see two to three cases every day" of people who have just been released from a term in a mental hospital for some political offense.

"There must be hundreds of such cases that we know nothing about. Until now I had not realized the magnitude of this problem."

# White House Pollster Joins Dole's Campaign

**United Press International**  
**WASHINGTON** — Senator Bob Dole of Kansas added Richard Wirthlin, the White House pollster, to his presidential campaign staff on Wednesday.

Mr. Wirthlin, who had joined the campaign of former Senator Paul Laxalt of Nevada before it folded earlier this year, called Mr. Dole "the most electable Republican in a strong field of candidates."

# NOBEL: Economics Winner Blasts Reagan Policies

**(Continued from Page 1)**  
 ible and maybe even the president have come to understand the time of the economic problems ended over the last several years.

The principal problem that must be dealt with, he said, aside from a huge U.S. trade and budget deficit, is America's "extremely low productivity."

"That can't be changed in a short period of time," he said.

Since arriving at MIT, his first "only teaching job, in 1950, Mr. Solow has specialized in how economies can expand and increase productivity."

He won the \$340,000 Nobel prize "contributions to the theory of growth," the award citation said.

Mr. Solow's work in the 1950s on factors affecting long-term economic growth resulted in a set of statistical measures that are now standard tools used to measure

the impact of labor and capital on a nation's economy.

"He has been a pioneer in several areas," said an MIT colleague, Franco Modigliani, winner of the Nobel Prize for economics in 1985.

"With his work on economic growth he has picked up a lot of ideas that have been used ever since."

Mr. Solow said his main, and most surprising, discovery, made in the 1950s, was that "the level of technological advancement outweighs simple capital formation by a large margin" in determining the ability of an economy to grow.

**American Dominance**  
 Mr. Solow was the 15th American in 18 years to win the economics prize, the next to last award announced in this year's Nobel series, United Press International reported from Stockholm. The literature prize will be announced Thursday.

Professor Assar Lindbeck, chairman of The Royal Swedish Academy of Sciences awards committee, said "technological development will be the motor for economic growth in the long-run."

"In Solow's model," he added, "if continuous technological progress can be assumed, growth in real incomes will be exclusively determined by technological progress."

The economics prize was established by the Bank of Sweden in 1968 and has been dominated by Americans. Of the 25 economists who have won or shared in the prize, 15 have been from the United States.

"The American dominance is a problem, but what can we do — they deserve it," Mr. Lindbeck said. "European social sciences were wiped out in the 1930s by Hitler."

# TAXES: Reagan to Listen to Foes' Ideas

**(Continued from Page 1)**  
 s shifting his attitude toward co-ordination on deficit-cutting because, "It was decided that this was an area that we could make some movement, show some leadership — the markets and deal with the problem" of market volatility.

He said Howard H. Baker Jr., the White House chief of staff, was lining up congressional leaders of both parties and, along with other presidential aides, might meet with him at the Capitol.

For the first time, Mr. Fitzwater acknowledged what other aides, including the budget director, James Miller, and the treasury secretary, Steve A. Baker 3d, had denied: that the massive budget deficit was one of the factors behind Monday's stock market drop. He also said the president felt that negotiations were preferable to the automatic budget cuts called for by law so political compromise is favored.

On Tuesday, after the markets fell, Mr. Reagan said, "I am

willing to look at whatever proposal Democrats might make on raising taxes. But later, Mr. Fitzwater reiterated the president's opposition to new taxes above the \$22 billion in "additional revenue" he had proposed in his budget.

On Wednesday, Mr. Fitzwater said, "We don't raise anything in or out" in the negotiations. He said: "All possibilities are now open." "We start with a clean slate," and "Everything is on the table for discussion."

But he quickly added, "That doesn't mean the president feels any different about the destructive nature of raising taxes."

In his remarks Tuesday, Mr. Reagan tried to caution nervous American investors against "panic" by saying he has "great confidence in the future."

Meanwhile, economists and analysts said that the Federal Reserve apparently injected new cash into the nation's financial system in late morning in a further effort to prevent the stock market turmoil from spreading through the economy.

The Fed took similar steps on Tuesday after its chairman, Alan Greenspan, said the central bank was ready to "serve as a source of liquidity."

Mr. Reagan, following discussions Tuesday with Mr. Baker and Mr. Greenspan, told reporters he had been in contact with foreign leaders on economic coordination measures.

He also called for lower interest rates.

"There's nothing in what has happened here that should result in a recession," the president declared Tuesday. "The economic fundamentals in this country remain sound, and our citizens should not panic. And I have great confidence in the future."

Reviewing administration actions, Mr. Reagan said, "We've been in constant contact with financial leaders... with the exchanges around the world and with market participants. While I remain concerned, I'm pleased that the steps taken by the Federal Reserve have had a salutary effect on the markets. Interest rates are down across the spectrum."

He was referring to the Fed's guarantee to banks that they could continue lending to shore up big investors who had borrowed heavily to play the market.

(UPI, AP)

# STORM: Whatever Normal Is

**(Continued from Page 1)**  
 ve of 100 points on Wall Street, however unpleasant for some, will be less of an event. It won't be a fad.

But everyone — equity purchasers and the companies that want to react them — will have to build possibility of another crash into investment calculations. If it happened once it can happen again, perhaps not tomorrow, but 10 or 15 years.

The professionals will, of course, be operating. But it will be not for ordinary people to be more cautious, particularly about long-term equity investments. They will think about buying works of art and hiding gold under the mattress,

or putting their money in savings institutions.

Above all, perhaps, people be more conscious that there may be no real logic to what happens to their shares. Nobody can explain the extent of the British crash in solely U.K. terms.

Henceforth, international developments will be just as important as domestic events. Remarks by Mr. Baker or the monthly U.S. trade figures can bring the Japanese, British and French markets crashing down along with Wall Street. Nobody can be sure in advance. It may not even make sense afterwards.

Maybe that's what's normal now: insecurity.

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# Contras Abduct American Activist

**United Press International**  
**WASHINGTON** — The State Department confirmed Wednesday an American activist and two Nicaraguan clerics had been abducted by U.S.-supported contras in Nicaragua.

A spokesman, Phyllis Oakley, of the department was seeking immediate safe release of a Fisher, 41, of Mill Valley, California, a Roman Catholic priest,

Enrique Blandon, and the Reverend Gustavo Tiller, a Protestant pastor.

Sam Hope, a spokesman for Witness for Peace, the group with which Mr. Fisher is affiliated, charged the abductions were "part of a pattern of the contras disrupting peace efforts" in Nicaragua.

Mr. Fisher was reportedly part of a group checking human rights violations in Nicaragua.

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OPINION

Just a River Town in Iowa, But Writers Keep Coming

By A.M. Rosenthal

IOWA CITY — Over the weekend, Iowa City, a calm riverside town, was mostly interested in how Nancy Reagan was doing. Iowans talked politics if the foreigners insisted, but they said hog prices and farm foreclosures were more important than caucuses.

The stock market was beginning to crash, but the town, like the country, was not quite taking it in yet. At the writers' conference nobody mentioned it at all. Every autumn, the writers come to Iowa City from all over the world. They

ON MY MIND

spend four months doing what writers do — talking and also writing. They get a taste of America, and often after they go home they long to see Iowa again.

At home, they still answer the same questions from friends who do not write: What is Iowa? Why Iowa? People who write for a living know exactly why the writers fly to Iowa City. For American writers, the University of Iowa is the home of the writers' workshops, where American novelists, poets and playwrights have written, learned, taught and honed for decades.

For 70 years Iowa City has also been a familiar name to writers outside the United States because of the International Writers Program, something unique in the universe of the word. This is the only place in the world where writers of different backgrounds, politics, languages and inspirations come together regularly to work and live.

It is a time for writing, not a little United Nations. But when writers do not write they mostly talk and sometimes it does happen that a Czech is able to explain himself to an African, or an Argentine to a Bulgarian. With luck they both come away with something to write about someday, which for any writer prevents an encounter from being a total loss.

Sometimes writers from the same country have a chance to meet each other and talk in a way they cannot at home, through fear or timidity or just the news came from Texas

lack of time and contact. Some writers work on a book, some file away notes, some simply busy themselves being depressed at not writing.

This is an extremely important part of being a writer, as is annoyance at those writers who are actually writing. Writers discover that this is as true in Iowa City as in Beijing or Bogota, and the mutuality of guilt and irritability about colleagues tends to unite them.

This time there was a 20th anniversary homecoming of the foreign writers. They told each other what prizes they had won and what idiot publishers they had stumbled across since last they met. Most said something about what Iowa was to them.

A Mexican writer said it was where he saw his children, incredibly, skating on a lake. An Argentine said it was where he learned to feed raccoons. A Greek poet said that for her it was a dream of paradise and that dreams end.

A Palestinian feminist said it was where she discovered that American women had a way to go, too. An Israeli reported that it was where he arbitrated a dispute over Transylvania between a Romanian and a Hungarian. For a Romanian it was where you did not have to be afraid of foreigners. A Polish writer who could not go home said that for her it was the sweet rose of freedom.

Writers from China talked about freedom to write and said they yearned for it. In Iowa City, the foreigners are not embarrassed to talk of roses, or freedom.

And for every writer, including those acerbic by temperament and professional inclination, Iowa City meant the American poet Paul Engle and the small intense bounce of energy and determination from China, his wife, the writer Hualing Nieh Engle. She suggested 20 years ago that Mr. Engle, who had helped shape the workshops for Americans, expand the idea into an international program. He said she was crazy.

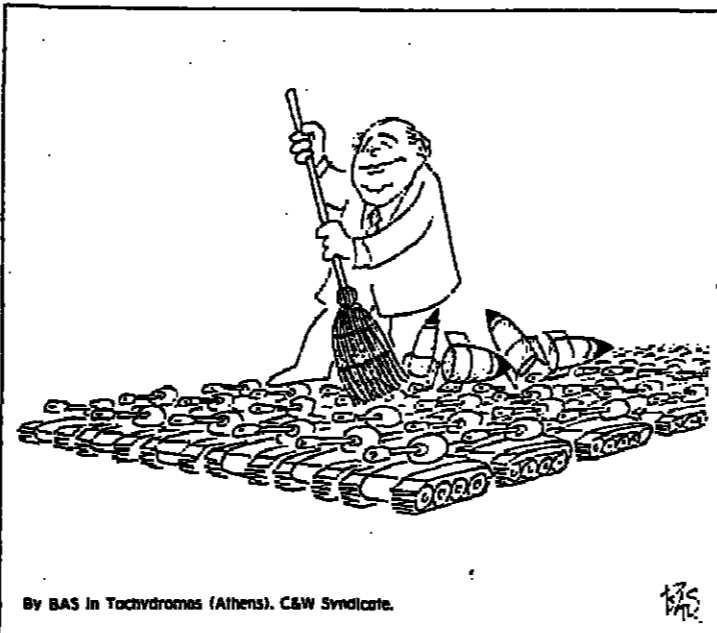
So they set to raising money — from the university, from friends, corporations and government. The U.S. Information Agency puts up most of the money. The USIA propagandizes for the United States. It hopes that the writers will leave Iowa knowing something about the country and maybe liking it. The writers do not regard this as a particularly horrifying goal.

The Engles will step out of leading the program this year, but for a long time, for writers everywhere, Iowa and Engle will be the same word.

It was a fine conference, full of excellent talk, warm memories and considerable hope for how the world was going.

On Sunday, at a hotel where some of the visitors stayed, a man from South America said he had seen something about the market in the papers. He said he did not really understand what had happened and what it might mean.

The New York Times



By BAS in Tocromas (Athens). C&W Syndicate.

When Television Has a Country's Story

By Tom Shales

WASHINGTON — Iran had attacked a U.S. oil tanker, the Dow Jones was plummeting and baseball's World Series was under way. It was a big news week in America, all right. But in a way there was only one story. A little girl had fallen down a well.

Push the world leaders off Page 1, bury the speech by Carl Candidate, never mind about a possible U.S.-Soviet summit meeting. All that can wait, and should, because when a little girl falls down a well, we have to keep posted.

We knew her name soon enough: Jessica McClure. A child of 18 months, she was playing in a backyard near an abandoned Texas well on Wednesday, Oct. 14, when she somehow slipped through a tiny hole and fell to a cavity 22 feet (7 meters) below. On CBS Evening News, Dan Rather held up a piece of pipe like the kind through which she had disappeared, to show us just how narrow it was.

At a moment like this, when a little girl

falls down a well, America becomes one big national neighborhood. With television keeping us apprised of every new advance, and then each setback, in the rescue mission, we felt as if Jessica were a child from just down the block. Or missing from her room right upstairs.

This was one of those strange, troubling, exhilarating events that unites and

MEANWHILE

equalizes everybody. No matter who you were or where you were, you waited for the news that the little girl was safe.

Lucky viewers who were watching television Friday night saw Jessica come up, like Alice out of the rabbit hole, alive and well on live television. All three networks interrupted programming. Of course. A little girl had fallen down a well! It was a

time to be grateful not only for television but for the traditional three networks. Home Box Office didn't interrupt its movie for Jessica's rescue. Nor did Showtime. If you were watching a canned cable channel, you were not plugged in. You were not hearing the heartbeat.

There have been similar stories in the electronic age. In April 1949, a 3-year-old named Kathy Fiscus fell into an abandoned well near San Marino, California. For three days America was glued to its radio sets as details of rescue operations were broadcast live.

That story was not to end happily. Kathy Fiscus died. All those who had waited and hoped joined in sorrow for a child they had never met. Woody Allen has recreated the incident in his film "Radio Days," a nostalgic celebration of radio's capacity to link and to inspire.

Mr. Allen thinks of television as an unworthy descendant of radio, but in fact the Kathy Fiscus incident was part of early television history as well. KTLA in Los Angeles aired live reports on Kathy's fate for the small number of television set owners around Los Angeles at the time.

Susan Chambers, the station's reporter at the scene, was interviewed about the traumatic ordeal for "KTLA at 40," a marvelous anniversary documentary seen earlier this year. It was "the first time," said Mr. Chambers, that a viewing audience could "literally live through an event" as it unfolded.

We take this ability for granted now. Or at least we do until something like the Jessica McClure story comes along. Sitting there before the set, hoping against hope, wishing the camera could get in even closer, nobody worried about invasions of privacy or abuses by the press or any of those other big issues.

Most of the coverage that followed this electrifying moment only tended to cheapen it. Footage of the girl's mother thanking people everywhere for the concern they had shown was moving, yes, but soon the politicians moved in with their calculated rhetoric, and who needs that?

It is likely the media will keep in touch with Jessica McClure for the rest of her life. In 20 years there will be feature stories as she enters college or takes a husband or wins a Nobel Prize, and flashbacks to her big splash in 1987.

What we will remember is the gladdening moment that climaxed the anguished vigil. For two days, she was our kid and we were her family, and Midland, Texas, was a world capital. All eyes were on it, and on her. We worry that television often appeals to the worst in us, but every now and then it triumphantly speaks to the best.

Washington Post Writers Group.

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LETTERS TO THE EDITOR

On Judge Bork: Gauntlets Flung Down Left and Right

The mind boggles at how people will turn things around to suit their ends. I refer to Professor Arthur Berney's letter, "In the Light of History, Bork Casts a Revisionist Shadow" (Oct. 7).

The American form of government is, or was intended to be, all about essential liberty, with its citizens to be as free as possible from the dictates of the distant central government. The Constitution is a limitation on the federal government. It is not an imposition of the federal government. When people talk about "rights accorded by the Constitution,"

they are talking, and buying into, a fallacy — a fallacy abetted by those who want a strong central government, thinking that they can get it to do their bidding.

The attitude that the federal government is the repository and dispenser of certain rights may have vote-catching appeal, but it makes for erroneous constitutional doctrine and law. There was a turnaround in the emphasis somewhere along the line, which must have made Madison turn around in his grave.

We Americans have been living under a liberal lie for a long time, and especial-

ly since the interventionist days of the 1930s, when Franklin Roosevelt and his Merry Tinkerers tried to govern-mentalize the economy into gear again.

Professor Berney approves of the interventionist attitude of the Supreme Court (a policy that led the American judiciary straight into the invidious mishmash over reverse discrimination). I wonder if he would sound so smug if the shoe were on the other foot. To him, Judge Robert Bork is a "constitutional revisionist." To me, Judge Bork is a constitutional purist, helping us to see beyond the distortions of recent years.

This whole brouhaha boils down to one point: that you cannot "give" one person or class of persons a "freedom" without taking essential liberty away from another, and from the whole body politic. Gunnar Myrdal, the Swedish socialist scholar, threw down that gauntlet unmistakably years ago when he wrote: "In the battle between liberty and equality, equality is slowing winning."

What Professor Berney calls "advances," I call erosions. We are, in short, on the road to demagoguery.

DUANE STANFIELD,  
Fortes, Scotland.

Judge Bork's nomination "wanted to thwart the desire of the American people" for jurists who will bring criminals to justice. Which criminals does the president have in mind? Those who believe that a modicum of privacy is a right implicitly and by usage granted by the courts and the Constitution; or perhaps the more than 100 Reagan associates who have been under investigation or indictment for activities under Mr. Reagan's leadership, or those responsible for the lawlessness of the Iran-contra affair?

Mr. Reagan's nomination of Judge Bork, whatever his merits or demerits, threw down a gauntlet that the Senate Judiciary Committee had the courage to pick up and examine. For Mr. Reagan now to tell the American people to "resist politicization of our court system," when that has been his avowed aim, underscores Mr. Michener's perceptions. It reveals the president's contempt for the Judiciary Committee, for the Constitution, for the Congress and ultimately for the intelligence of the American people.

STEVEN BACH,  
Munich.

In "Bork Stands Up His Lynch Mob" (Oct. 12), William Safire asks: "Should the criteria for judges continue to be individual merit and personal qualification, or a new standard of 'ideological balance' on the courts to which they are appointed?" This being the issue, Mr. Safire should have questioned the wisdom of the administration that introduced Judge Bork's nomination as one that would continue the Reagan philosophy for years to come. The "lynch mob" was just responding to the efforts of the administration to use the nomination as a political tool. In the process much injustice has been done to Judge Bork, who is acknowledged as a highly capable jurist.

M.D. SHANKAR,  
Surabaya, Indonesia.

Anti-Bigotry in Austria

As an Austrian with Jewish family ties, I must take strong exception to the disinformation contained in the report by Henry Kamm about Ambassador Ronald S. Lauder ("The Short, Unhappy Tenure of an Envoy in Vienna," Oct. 10).

The assertion attributed to Mr. Lauder that Austrians who dissociate themselves from anti-Semitism would not dare to say so in public is belied by almost daily statements by politicians and other public figures. It has become something like a ritual to condemn anti-Semitism in public on every conceivable occasion.

Contrary to Mr. Lauder's implication, the tasteless and stupid letter from the deputy mayor of Linz, Carl Hödl, to Edgar Bronfman, president of the World Jewish Congress, evoked strong reactions from politicians of both major parties.

CHRISTOPH SCHREUER,  
Salzburg.

The letter from Carl Hödl to Edgar Bronfman should be placed in its proper perspective. First, it was meant to be a reply, however offensive, to Mr. Bronfman's remark, made publicly in Bud-

apest, that Kurt Waldheim had been a cog in the Nazi death machine. The allegations that Mr. Waldheim took part in war crimes have never been substantiated.

Second, Mr. Hödl's outrageously false analogy between Mr. Waldheim and Christ did in fact unleash a storm of protest here, with highly visible billboards (funded by a number of private contributors) demanding the deputy mayor's resignation. Eventually Mr. Hödl was forced to resign.

MATTHEW H. HEITMAN,  
Vienna.

I have to correct my friend, Ambassador Ron Lauder, whose service in Austria in a difficult time I do acknowledge. He is certainly wrong when he says that no Austrian would publicly dissociate himself from anti-Semitic statements. Thousands have done so, although, as in every country, anti-Semitism does exist. The large majority of Austrians oppose it, finding it an inhuman, ugly, deplorable and totally unacceptable phenomenon. So do I, and in public.

ANDREAS KHOL,  
Member of Parliament,  
Vienna.

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SCIENCE

Russians Planning Powerful Particle Accelerator

By Walter Sullivan  
New York Times Service

SOVIET physicists have decided to build the most powerful particle accelerator of its kind, a straight-line facility 20 kilometers or about 12.4 miles long. Its length could eventually be doubled.

physicists hope to piece together a theory for the composition of matter and its behavior during evolution of the universe. The longest such machine now operating is the two-mile Stanford Linear Accelerator in Palo Alto, California. A 17-mile circular machine is being built at CERN, the European research center near Geneva.

While energies in the Stanford machine and other electron-positron colliders are less, by using beams of particles that presumably have no internal structure they lend themselves to experiments not possible with particles of complex composition, such as protons.

not be feasible at the trillion-electron-volt energies envisioned by the Russians. According to the initial design, half of their 20-kilometer machine will accelerate electrons toward the midpoint to meet positrons accelerated in the opposite direction by the machine's other half.

volts per meter, 20 times the rate in the Stanford machine. This is a major technological challenge and opinions differ as to whether Soviet technology is yet at a sufficient level to meet it.

Breast Cancer: Precise Prognosis

By Gina Kolara  
New York Times Service

Using new techniques of molecular biology, medical scientists are starting to develop ways of determining the prognoses of women with breast cancer. As a result, experts say, the process of deciding how to treat breast cancer patients is rapidly changing from an art to a precise science.

In particular, they are using a technique called flow cytometry to look at the amount of DNA in cells and determine whether the cells are dividing rapidly. And they are looking for extra copies of certain genes that can be indicative of a cancer that will spread.

cause the vast majority of them do well without it. But about 20 percent to 30 percent of these women will have a recurrence of cancer, according to Dr. Dennis Slamon of the University of California in Los Angeles.

has not reached the fatty tissue of the breast, Dr. Lippman said. As a result it is highly unlikely that these tumors could have spread elsewhere in the body. Such cancers, Dr. Lippman said, should be completely cured with surgery alone or combined with radiation therapy.



Nancy Reagan on her way to breast cancer surgery.

IN BRIEF

Genetic Screening Test Developed

SAN FRANCISCO (UPI) — Scientists have developed a simpler, quicker and less expensive way to test for a variety of inherited diseases. The new blood test should make such diagnosis easier, especially in developing countries where existing tests are rarely available.

Heart Disease Linked to Indian Staple

NEW HYDE PARK, New York (UPI) — Ghee, the clarified butter product that forms the base of curries and other Indian dishes, may help trigger heart disease in regular consumers, a New York scientist suggests.

Earth's Temperature and Solar Flares

BOULDER, Colorado (NYT) — Ever since it was discovered that sunspots and flares on the sun's surface come and go in predictable cycles of about 11 years, scientists have searched for a link to the sun-driven processes of earthly weather.

Chernobyl Fallout Study in Black Sea

NEW YORK (UPI) — Radioactive fallout from Chernobyl has provided an unexpected benefit for science — the opportunity to uncover the mysteries of the Black Sea.



Erosion Threatens U.S. Lighthouse

ATLANTA (AP) — The 208-foot- (63-meter) tall Cape Hatteras Lighthouse, the tallest brick lighthouse in the United States, should be moved back from the encroaching Atlantic Ocean, the National Academy of Sciences has recommended.

INTERNATIONAL POSITIONS

BAYARD PRESSE INTERNATIONALE
Cinquieme Groupe de presse française (2000 personnes, 1 milliard CA), notre développement prend une dimension internationale: deux filiales à HONG-KONG et en BELGIQUE, bientôt une troisième en ESPAGNE, et de nombreux projets qui nous conduisent à élargir notre équipe en créant à PARIS un poste de CHEF DE MARCHÉ (HP).

REQUEST FOR APPLICATIONS AND NOMINATIONS
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Save the Children Federation, Inc. of Westport, Connecticut, invites applications and nominations for President. This vacancy is created by the resignation of Mr. David L. Guyer and his appointment as President Emeritus.

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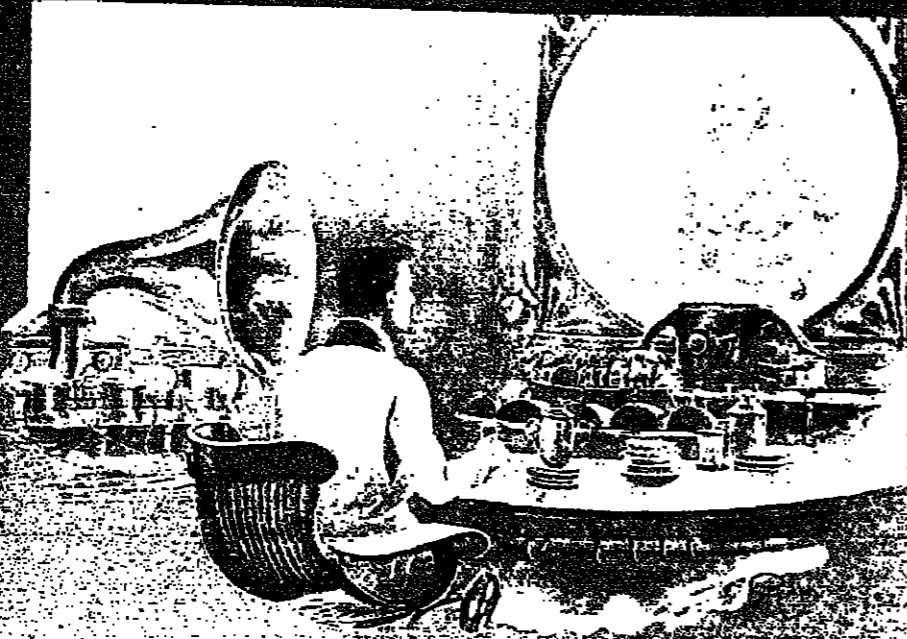
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# FRENCH TELECOM



Jules Verne imagined a world without distance, a utopian future where videophones would be in conversation—image and all—directly into the home. In France today, the video phone has left the realm of science fiction.

Telecom has been the first to introduce video-telephony into the home. The Minitel system, which allows users to access a vast network of information services, is another example of French Telecom's commitment to innovation.

## DIRECT LINE TO THE FUTURE

**T**HE countdown has begun. With Europe pledged to deregulate state monopolies and their frontiers disappearing and the competition on their doorstep, all in pursuit of a uniquely lucrative market of some 320 million consumers. If the much-touted 1992 launch of a unified market goes according to plan—and there are still some doubting Thomases—the European telecommunications industry might end up looking more like the American one, with each national telecom group resembling a regional Bell company. In this battle of the giants for a share of world telecommunications markets, French Telecom has developed a new global strategy.

"We welcome the excitement and stimulation of potential new competitors and we intend to vigorously pursue new services," Marcel Roulet, the recently named head of the company, told an audience in Washington, D.C. this June. He served notice that from now on, French Telecom will become "more commercial and more market oriented." Rates will be reduced and alliances sought. "We will spare no expense to offer our customers the highest quality service available in France or anywhere in the world."

These are not just empty words. Last year the telecommunications giant had sales of \$15 billion, representing an increase of 7 percent over 1989's figure, and a net income of \$1 billion. Its 165,000 employees have a high productivity rate, with fewer than seven persons per 1,000 lines in service. France is now the country with the most digitized phone network in the world—over 50 percent compared to 15 percent in Sweden, 9 percent for the United States and 2 percent for Japan and Great Britain.

State monopolies are not renowned for their dynamism, but this is a bureaucracy with a difference. The corridors of power are peopled with a brilliant and elite group of engineers and specialists, many from Polytechnique, one of France's most prestigious colleges. For many years, there was an overload of brainpower and a certain lack of pragmatism. Lavish investment and high research budgets were coupled with a neglect of sales and marketing. Now all this has changed. The aggressive marketing stance of the company's principal officer comes at the right time and gets full support from his boss, the Minister of the PTT, Gérard Longuet, a champion of free-market economic policies. When he first arrived in office last year, Mr. Longuet made no secret of his desire to see the Direction Générale des Télécom (DGT) privatized in line with the United States, Great Britain and Japan. Some back-pedaling has been necessary, but the Minister says a law guaranteeing competition and ensuring a gradual breakup of the monopoly will certainly be passed in the not-so-distant future.

The choice last December of Mr. Roulet, a high-ranking veteran communications engineer, is symptomatic of the changes taking place in French thinking. Traditionally, the position goes to a specialist in technology. Mr. Roulet is from the finance and management side. He made his way on scholarships through Polytechnique and is proud of being a farmer's son.

The key man for international, Jean Grenier, also came up through the ranks. He took over his new job in July.

Both men are keenly aware of the problems confronting the industry today. They cite one dramatic example of what can happen in the new climate. Shortly after British Telecom was priva-

tized, telephones placed from France to the United States dried up. Trans-Atlantic rivalry brought rates tumbling down and it became cheaper for businesses in Paris to call the U.S. via London. At one point, 20 out of 23 Japanese multinationals in Paris were using the London route, before the French realized what was happening.

"We had no choice but to fall in line with British rates," Mr. Roulet said, "but this shows how the rate structures are breaking down." The temptation, he says, is to act "like a ciadell being steamed, putting up imaginary Maginot lines everywhere." Instead, his strategy will consist of "one-third defense and two-thirds attack."

As to French Telecom's place in a pan-European market, Messrs. Roulet and Grenier are optimistic yet realistic. "We see no prospect except as part of the larger community of free trading partners," Mr. Roulet says, and adds that he hopes "inevitable differences will be ironed out in a pragmatic way." On the home front, he notes the need for more freedom and flexibility in order to be truly efficient in both national and international activities. This means a painful reorganization which could include staff reduction plans. Yet the price must be paid if France is to sell her hard-won telecommunications expertise in a highly competitive world.

Looking back just a few years, it is difficult to credit just how far France has come and how fast. In 1970—the French admit it freely—their telephone service was one of the worst in Europe. Public suspicion of the phone had scarcely evolved since Collette wrote: "The telephone is useful only to important businessmen and women with something to hide."

As Mr. Grenier observes, this backwardness had certain advantages when the time came to change. Because telephone lines were so limited, modernization could be radical. And radical it was.



Close to three million homes are now equipped with a lightweight brown and beige box, supplied free by French Telecom.

The Minitel not only serves as a complete electronic phone book covering all of France but also supplies over 6,000 shopping, banking and other electronic value-added services (VAN) whose number increases weekly. Traffic has quadrupled in one year with 308 million calls per month. The VAN service is a lucrative one; the user pays 1 franc per minute and French Telecom keeps 37.5 percent.

In the field of electronic mail, the Atlas 400 service, which conforms to the CCITT X400 standard, opened this year. It allows the exchange of messages and the interconnection of private electronic mail systems on the public network. There are also 60,000 fax machines in use and traffic is increasing at the rate of 100 percent a year.

Satellites, Minitels, ISDN, cables and more— all this means France Telecom International (FTI), as the company is called outside France, has a lot going for it. Now it is gearing up for a major marketing, sales and public relations effort abroad. Predictions are that the world market for telecommunications will triple in the course of the next 20 years. The French note a growing demand from large customers for high-quality custom-made telecommunications services on an international or on a pan-European basis. So a major thrust of the new strategy will be aimed at strengthening ties with multinationals, banks, insurance and tourism.

"Our expertise in high-speed digital services means we can offer custom-made solutions to suit the needs of these clients around the globe," says Mr. Grenier. He stresses that FTI is preparing to offer commercial contracts, with long-term guarantees of quality and service, payable in dollars. Moreover, staff increases will ensure complete service facilities out of New York or elsewhere if necessary. FTI's existing offices will play an important role. The New York address is now 10 years old. Other offices have since been opened in Singapore, Jakarta, Caracas, Tokyo, Peking and London. Bonn will follow at the end of the year.

The new regime under Messrs. Roulet and Grenier also intends to work up a strategy of joint ventures and alliances. "Clients don't want to order a piece of a network from one supplier and the next piece from another," says Mr. Grenier. He points out that with its offices around the world, FTI is able to coordinate and negotiate with its friendly rivals, ATT and MCI from the United States, British Telecom, NTT from Japan, and others. They will also work to assure the interconnection of the ISDN networks in France with other countries' networks as soon as possible.

No discussion of international telecommunications is possible these days without a long hard look at D-Day. This no longer means 1944 but 1992, when Europe is pledged to establish her free internal market.

A green paper on telecommunications was published by the European Commission in June to prod certain reluctant countries into action. French Telecom certainly needs no prodding. Their only worry is to ensure that the government also keeps up its avowed enthusiasm for deregulation.

The potential of a unified European market where common standards reign goes without question. One flagrant example of the old regime's (Continued on Page IV)

three services were baptized Transfix, Transcom, and Transdyn. France will be able to phase in an enhanced ISDN program on a limited geographical basis in 1988 and on a nationwide basis by 1990. But the videophone is not promised until the year 2000.

The Telecom 1 satellites also give France the distinction of being the only European country with a national telecommunications satellite. As a result, France is now the world's largest supplier of satellite communications equipment. Recently the French successfully bid for a contract to distribute TV programs and video between Washington and American diplomatic posts for the United States Information Agency.

Seventy-two million calls per month are made on Transpac, which has become the largest packet-switched data network in the world. It is connected to 58 countries. This is a public network accessible from all points in the national territory, with the number of direct customer connections totaling 42,000 at the end of 1986. Traffic averages 1,500 billion characters per month.

And with great fanfare, France launched a Marseille to Corsica optical fiber cable in July, the first link in a new Mediterranean cable system eventually connecting up with Sardinia and Sicily. Preparations are also going ahead for France's contribution to the upcoming trans-Atlantic TAT 8 and 9 international cable. France now ranks number 2 in the world for undersea telecommunications systems.

And last but not least, France has become the first nation in the world addicted to tapping on its portable videotex terminals, the famous Minitel.

Today this nation of phone phobes has the best phone service in the world, although use of the telephone actually declined last year. In 1971 there were 5 million main telephone lines. Today there are 24 million. At the end of 1986, 22,500 miles of fiber optics connected the central offices.

The Telecom 1 telecommunications satellites which shot into orbit in 1984 on the French-inspired rocket, Ariane, made possible switched services at 64 Kbps. One year ago (1986), the first all-digital end-to-end ISDN (integrated services digital network) began operation. Based on the concept of combining voice, data and image, the

### Telecom 87

**T**HE promise of the new communications age has attracted 40 exhibiting countries and 50,000 visitors daily to Geneva for Telecom 87 (October 20-27). Today, October 22, is French National Day and the crowds will be converging on what is by far the exhibition's largest stand for a glance at the state-of-the-art as seen by France Telecom International (FTI) and 90 French companies. The FTI logo is being shown for the first time, in Geneva.



Marcel Roulet, Directeur-Général of French Telecom.

# The Minitel Phenomenon

## From Innovation to Industry

In the beginning, few people thought it was possible but nearly three million Minitel enthusiasts have since convinced even the most skeptical. Subscribers daily spend an average of four minutes each on the combination telephone-keyboard-screen. Time enough to find a few dozen phone numbers, read their horoscope and possibly even browse through a newspaper. A fraction of the time that would otherwise be wasted thumbing through a phone book.

"They made the mistake of imagining that it would somehow replace existing services; instead they discovered it could provide new ones," explains Jean-Paul Maury, the director of the Teletel program.

Videotex services were the catalyst that combined computers, broadcasting and telecommunications. When studies first began in 1973, the aim was to use a telephone to interrogate a computer and then show the results on a TV screen. Research in Rennes led to the Antiope project — now known as Teletext — that started service in 1978. With only the weather forecast and stock market report, it was a mainstream idea, rather like Prestel in Britain.

Teletel marked a change of direction. The new starting points were a service that everyone could use immediately and custom-built terminals. "The aim was to show that it could be done, to demonstrate to the industry that it was feasible and would be accepted by large numbers of people," says Mr. Maury.

Early experiments in the Paris suburb of Vélizy used 3,500 terminals, of which the majority were modified TVs that connected to the network via a decoder. But, given the choice, people preferred a proper terminal. For the next series of trials in Rennes, 4,000 Minitels were installed.

Among the Minitel's many advantages were its size and simplicity. Small enough for the home, neat enough for the office, the tiny terminal flipped open to reveal an alphanumeric keyboard and screen. Careful thought had gone into the design. It was essentially uncomplicated, ideal for mass production. By saving the expense of updating and distributing printed directories, reducing the need for switchboard enquiries and gambling on massive economies of scale, French Telecom could afford to give away Minitels for free. The French phone book — for all 24 departments — ran to 160 volumes. But to find a number on their Minitel, all people needed to do was type in a name and location.

"Customers couldn't imagine it, we had to offer something concrete first, and after that the rest followed naturally," explains Mr. Maury, who was responsible for the initial development of both the Minitel and electronic directory.

Technically, the system was neither expensive nor sophisticated. Commercially, the kiosk system combined a shopwindow and innovative billing system — customers paid nothing to look and the price of any purchase was added to their phone bill. With Transpac there was also immediate national coverage.

Transpac is a packet switching network. For the customer this means that all connections cost the same, regardless of distance. It is also an intelligent network, which meant that less intelligence needed to be built into the terminals. "Teletel used existing technology," he concludes, "it's the services that are special."

At last count there were 6,000 of them. The electronic directory is still the most popular, accounting for one call in six; even the neighboring Swiss operators regularly use it for directory enquiries. But since the system's commercial launch, Teletel has become a popular phenomenon.

Between 1984 and 1985 the amount of traffic on the network quadrupled. By 1986 it had trebled

again and this year it should rise by a further 70 percent.

To maintain this momentum, French Telecom has continued to install new Minitels at the rate of 100,000 per month. The million mark was passed in 1985, two million were connected by 1986 and over four million will be in use in 1988.

People use it for banking, to buy insurance or book a seat at the theater. Over sixty newspapers and publishing houses are listed in the directory. Local authorities provide official information pages on everything from tourism to social security. The classified ads carry details of jobs vacant, apartments to let and cars for sale. Children play games on it, students use it to look up their exam results and chafes provide a welcome means of contact for the lonely, the shy and the housebound.

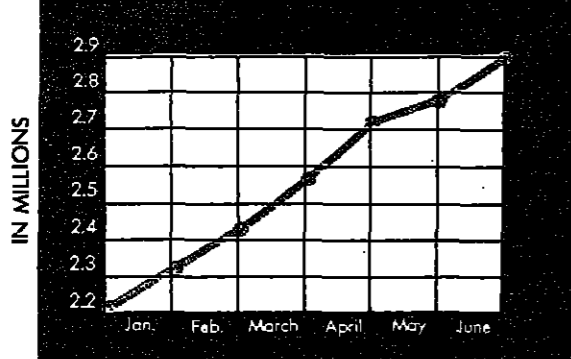
Teleshopping has also caught on, with customers using the Minitel to order deliveries from the local supermarket. For companies, a smart card automatically controls its own budget by remembering the details of each purchase. Over 50,000 card readers will be connected to Minitels in 1988.

Another, growing sector is the closed user group. These can only be joined by paying an annual subscription and tend to supply professional groups such as scientists, bankers and the media with specialist information. Small businesses can also use their Teletel mailbox to send telexes, and one of the latest services offers a direct link for electronic mail at the rate of only 1 franc per minute, irrespective of distance.

French Telecom estimates that it takes between three and four years to recoup the cost of a Minitel. Last year the system logged 37.5 million hours of connection time, excluding the 7 million hours spent on-line to the electronic directory. As a revenue earner, it brought in 575 million francs. A



The latest Minitel 10.



More Minitels in 1987.

## A Bonanza for Business

further 822 million francs was paid out to the businesses that provided the services. Other countries have been far less fortunate. At the same time, there were only 90,000 subscribers to the British videotex system; a mere 52,000 in Germany.

As they struggle to catch up, the next wave is breaking. With ISDN and videodisc-based services, the new buzzword is supervideotex. But Mr. Maury is less than impressed.

"Speed doesn't change the service and supervideotex sounds a little complicated — it's hardly the same thing anymore. The definition of the service has always been its low cost and simplicity. After that, it's no longer videotex."

— Steven Bartlett

**W**HEN the Vélizy trial that was to launch the Minitel was being prepared in 1981, Edmond Chaboch was a 34-year-old engineer at the top French software firm Cap Gemini Sogerit. He participated in the development of the electronic directory, La Redoute's mail order catalogue and the home-banking service for CCF.

Deeply impressed by the experience, Chaboch quit his job. "I mortgaged my house and with one million francs and a staff of one, myself," he laughingly remembers, "I set up the first service company oriented exclusively to the new market."

His first product was a videotex guide. Today Energie Videotex offers over 40 residential and professional services including the national weather forecast, Larousse games, the Top 50 countdown, Europe 1's entertainment and news program, an index for librarians, and the electronic directory for French Telecom. Between them, they account for 1,800 hours of telephone traffic per day.

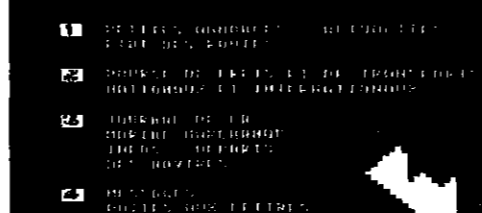
Like Chaboch, hundreds of other entrepreneurs have been quick to cash in on the Minitel phenomenon. By May 1987 some 1,500 companies were offering 5,700 services and six more were being authorized each day. About 10,000 private sector jobs directly related to the French videotex industry were created in 1986, up from 8,000 at the beginning of 1985.

Services on the Teletel 3 "Kiosk" receive payment through the intermediary of the telephone company. Last year they earned 822 million FF; in 1987 this figure should increase by 70 percent. Since more than half the services charge users directly, it is impossible to estimate the total turnover of all companies concerned. Some charge monthly or annual subscriptions, while fees for data banks can vary from 100 to more than 1,000 francs per hour. At the same time, toll free numbers are expanding the possibilities for many companies and a new rate structure is being introduced to encourage certain services at the expense of others.

Studies indicate that the business and industrial sectors will experience the greatest growth over the next few years. More than 50 banks already offer home-banking services and many have begun to use the terminals for in-house communication between branches. In addition, seven consumer-

**T**ELECOM 87 marks the eighth anniversary of Inetmatique, the French company that markets videotex expertise worldwide. As managing director Georges Nahon points out, Inetmatique is exporting an industry, not a product or standard. The French standard has been adopted in 10 countries and over 100,000 Minitels have been sold overseas. Inetmatique has also acted as a consultant in the U.S., Canada, South America, Australia, Africa and the Middle East. For further information, contact: Inetmatique, 98 Rue de Sevres, 75007 Paris, or call (33) 1 43 06 16 36.

## FRETEL-OFTRANS



Keeping business moving.

## The International Connection

**T**HERE'S more than one way to Teletel from outside France. The best is a Minitel, but for those that are unwilling to wait, a microcomputer is perfectly adequate. Adding an extra card and emulation software will turn it into an acceptable terminal.

From Australia, the Daretex-P network leads straight into Teletel's computers. The number to remember is 0208075040390V6P. It also works for callers from Spain, Luxembourg, the Netherlands and Portugal.

From Germany, it is better to use Infonet on 696664007, in Washington, the code is (301) 595-4760, in New York it is (212) 921-7877, in Los Angeles it is (213) 772-0000.

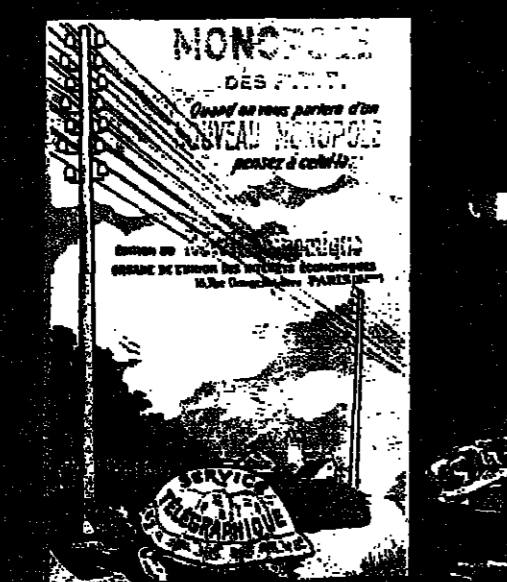
London's link is Interpac, on 438-8377. Dublin uses 353.21.397.702. The only problem seems to be in Italy, where the videotex craze has yet to catch on.



Even sports results in English.

IN LINE WITH THE TIMES

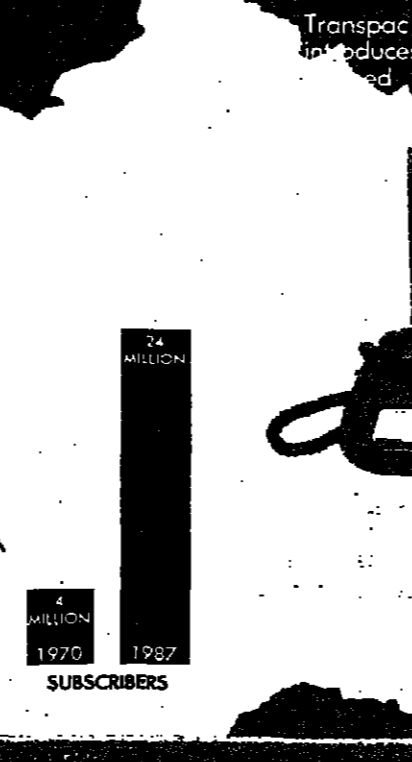
1837 New law places electric telegraph under national control.  
1889 Separate telephone companies combined into government monopoly.



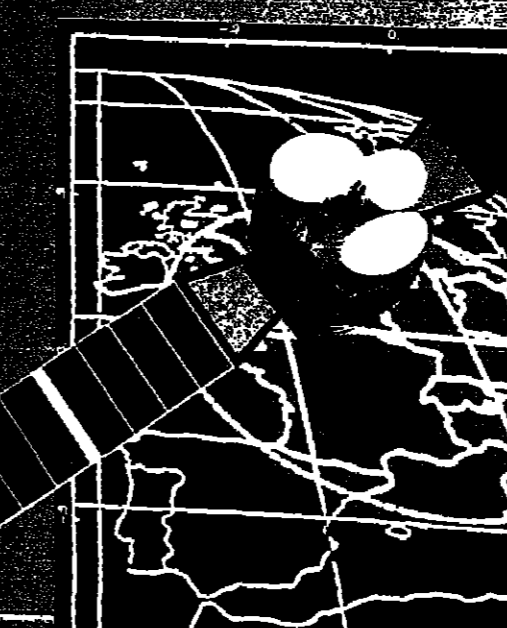
1960s The changing face of the telephone...



1970s As modern proceeds number of subscribers starts to climb.



1984 Transpac 1 introduces the new ISDN computer network.



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Videophones

## ISDN Switching to the New-Style Network

**I**MAGINE the possibilities of combining high-speed facsimile with a telephone call; or connecting a minicomputer and telephone together so that incoming calls automatically trigger information on the screen. That is the promise of ISDN.

The initials stand for the future — a time when data, sound, pictures and print will all be sent in the same way, and through the same network, to anywhere in the world. They also refer to the common set of standards that will make this possible.

Thanks to digitization — a common "language" for current and future services — the ideal is attainable. With digital integration, sight and sound can be combined in new ways, to provide new levels of service. Integrated digital networks will also be faster, better quality, more reliable and cheaper to operate. But, perhaps most important of all, they are the answer to the telecommunications industry's urgent need for a new common denominator.

As a universal communications network, ISDN builds on the basis of the most popular professional tool: the telephone. By so doing, it also takes into account the need for various types of data networks and other, fast-growing services such as videocommunications. A single international standard will simplify the situation by broadening the scope of existing services and increasing the range of terminal equipment that is available. This, in turn, will lead to lower prices — a direct business benefit that neither the PTTs nor their customers can afford to ignore.

The telephone network was originally designed



The latest terminals take advantage of ISDN's high-speed services.

to carry analog signals that transmit sound as a continuous current of energy. Data is different. It relies on digital signals to spell out every character of every word in much the same way as Morse code.

With the advent of the transistor this gap between nineteenth and twentieth century technology began to close. As the microelectronics industry evolved, telephone exchanges rapidly developed from manual switchboards to electromechanical machines. In the 1970s, with digital switches and a system called time-division switching, they re-emerged as special-purpose computers.

They were still handling analog signals but, by sampling them 8,000 times a second and translating each result into an eight-bit code, these could be converted into digital form. Hence the magic figure of 64,000 bits per second.

Across the world, large international organizations were eagerly investing in all the paraphernalia modern technology could provide to feed their

insatiable appetites for information. From computers to satellites, with leased lines and their own digital exchanges, they created increasingly complex networks. As voice and data converged, the task of redefining telecommunications fell to the International Telegraph and Telephone Consultative Committee (CCITT) in Geneva.

When the organization was first set up in the heyday of telegraph traffic, international lines still stopped at the frontier and telegrams were passed across by hand. To deal with the equally complex problems of a new communications age, the CCITT outlined a set of internationally acceptable standards for ISDN.

To deliver ISDN over existing telephone lines, the CCITT proposed using a pair of communications channels for voice and/or data and a separate control channel to direct the signals to their chosen destination. Each communication channel would carry 64,000 bits of information (abbreviated to 64 kilobits) a second. The control channel would use a further 16 kilobits. And, underpinning the entire concept, ISDN would act as a universal gateway to the full range of existing services — from telephone to telex, facsimile, data communications and videotex.

In France, the first ISDN-type services were launched in March 1986. Transfix, Transcom and Transdyn provide direct or switched digital links, via landlines or satellite, for hundreds of private clients. In addition to high-speed data links, they have also provided valuable experience in developing new applications and equipment.

Meanwhile, work had already begun on adapting the public telephone network. "The French experience has been a series of firsts," explains Jérôme Rémy, head of ISDN. "Even before ISDN had a name, the DGT

and Alcatel believed in it enough to introduce the first digital switches."

Those switches — Alcatel E10s — gave French Telecom a head start when it came to introducing ISDN. With over a decade's experience to draw on, and well over 50 percent of its network already digitized, France will add the first commercial ISDN network, fastest interconnection and earliest national coverage to its list of credits. For local calls, the proportion of digital switches will rise from 50 percent in 1986 to 75 percent by 1990. For long-distance calls, during the same period, it will increase from 58 to 76 percent.

At the same time, signaling enhancements are being used to shorten the time it takes to set up calls, improve network efficiency and simplify the development of new services in line with the latest international standards — most notably the D protocol and CCITT No. 7. Finally, to ensure absolute accuracy, an atomic clock has been used to synchronize the network.

Commercial operation will start in December with a trial in Brittany connecting 500 subscribers, mainly small businesses and professionals. In autumn 1988 attention will switch to Paris, particularly the commercial center of La Defense, where the modern towerblocks house numerous multinational companies. By 1989, more major centers such as Lille, Lyon, Marseille and Rennes will be linked up.

In 1976, when the CCITT formally adopted the idea of ISDN, it seemed idealistic, even utopian. But in France, national coverage will soon be complete. Having installed the network, French Telecom will continue to develop new applications, customer services and subscriber equipment. In these areas, as in others, it seems destined to remain first among equals.

— Steven Bartlett

## BROADBAND Pinning Down the Moving Picture

**W**ITH their new generation of video communications networks the French are fast turning science fiction into science fact. In the Atlantic coast resort of Biarritz a futuristic fiber optic network shows the shape of things to come. The local butcher

laughs and jokes as he serves a customer with cooked meats and chicken. She nods approval, checks the price and rings off. For 1,500 subscribers the videophone has already arrived.

On the shores of the Mediterranean over 300 companies have settled in Sofia Antipolis, a modern technology and research park between Nice and Cannes. Underpinning the whole high-tech venture are over 250 kilometers of fiber optic cable in a high-speed computer network covering the 5,000 hectare site. What makes this network so

special is the sheer speed at which it carries vast quantities of information. In technical terms, it can transmit 140Mbs a second — nearly a thousand times as fast as narrowband ISDN.

Within sight of the Pyrenees, similar changes have already added a new dimension to the lives of 2,000 workers in the gas and petrochemical industry. The sprawling refinery in Lacq relies on declining reserves of natural gas. Anticipating the future, Elf-Aquitaine

has invested over 12 million francs in the latest video communications technology to educate and inform its employees.

In Brittany, the doctors at Rennes Hospital have called on the services of the CCETT to help them apply the latest advances in medical science. Their on-line database needed to include information from scanning and X-ray equipment, both of which deal in images rather than text. A page of text needs only 20 kilobits, the computer image composed by a scanner can require 2 Megabits. Today, thanks to a high-speed local area network, both can be consulted together.

Just off the Champs-Élysées, a journalist is preparing the news bulletin. From there, 650 kilometers of fiber optic cable will carry it to an audience of half a million viewers. The Tube, the first commercial service of its kind, was introduced in 1985 and now broadcasts its story to 120 platforms on the Paris underground.

Digital technology has already revolutionized the telecommunications industry. Today it is cable television that dictates the pace of change. Cable television involves millions of bits of information, far too much for narrow-band ISDN to handle. Plan Cable will deliver on-demand television to millions of homes in towns and cities across France. At present, 52 projects have been finalized and more are being considered. Apart from entertainment, the same fiber optic lines will also be used for education and information retrieval.

Twenty years ago it was hard to imagine homes being on-line to voice, data and image. In twenty years time it may be equally hard to imagine how we ever lived without them. Broadband networks will integrate a whole range of services such as pay-per-view television and sound programs, videotex, remote security monitoring and high-speed data communications.



News and views on the Tube.

But it will be "an evolution, not a revolution," as Vincent Carrefour, the director of programs at CNET, warns. It is his job to coordinate the work of the seven independent research centers that cover every area of telecommunications science from component technology to network management. With a budget of 1.755 billion francs to

manage, he is uniquely qualified to judge the trends in this fast-changing field.

Broadband development can be split into three stages. First of all there is the traditional type of broadcasting that carries every channel and uses controls on the television set to make a selection. Alternatively, with interactive services such as pay TV or Minitel, the selection is made within the network and only one set of signals is sent at a time. These broadband services can flow into premises while narrowband services continue to flow out until the third stage — full integration — is reached.

At first sight it all seems very simple. With over 200,000 kilometers of cabled fiber, France has already laid the foundations of a new infrastructure and the price of such lines seems certain to fall. In 1976 cable fiber cost in the region of 20 to 30 francs per meter, by 1980 this figure had fallen to between 5 and 9 francs and today it is nearer to 2 or 3 francs.

But replacing the existing infrastructure is still an expensive business and, by the 1990s, the amount of information needed for video transmissions (that is, the bandwidth) may decline. For instance, when video-conferencing was first introduced, it used 2 MB/s channels; now it needs only 64kb/s. With signal compression, narrow-band ISDN can carry low-scan images. They may not be technicolor movies, but they are more than adequate for security and surveillance systems. Today's image channels use very high speeds — in the region of 140 Mb — but similar compression techniques could cut this by as much as two-thirds.

Broadband beckons. "I'm certain it will arrive, but in what form?" asks Madame Seguin, head of

broadband and videocommunications development at CNET.

There are now two routes to broadband ISDN. The public telephone network and first-generation video communications networks could lead to a broadband integrated service data network. At the same time, with progressive digitization, narrow-band ISDN may continue to evolve until both routes converge.

It is an enormous undertaking. Preliminary proposals should be agreed upon at the next meeting of the CCITT in 1988. By 1992 it is hoped that the project will reach an advanced stage, similar to the base established for narrowband ISDN in 1984.

— Steven Bartlett

### Tomorrow's Technology

**I**N France's national telecommunications laboratories (CNET) just outside Paris, the screen of the future is already taking shape. The slim, liquid crystal display uses 80,000 tiny transistors to project images onto its flat, 10-by-13 centimeter surface.



But one of the most exciting projects is asynchronous time-division multiplexing. It may sound complicated, but it could provide the most simple solution to the needs of broadband ISDN. Developed by CNET, the technique combines the simplicity of digital time-division with the flexibility of packet switching to synchronize video and sound.

Meanwhile, in Grenoble, scientists are also at work on a new generation of silicon chips for these high-speed, high-capacity telecommunication systems of tomorrow.



Videophones: putting a face to the name.

1986 Facsimile terminals, 2 million terminals  
Minitel, for standard, launched

1988 France moves towards full ISDN  
with new project in Brittany.

1990s The global telecommunications  
network continues to evolve toward  
broadband ISDN.

Facsimiles on the move.  
Screens connect over 1,000

FIBER OPTICS



ADVERTISING SECTION

# The Public Face of a Private Company

**A**MONG the major challenges facing French Telecom today is the transformation of its commercial network to meet the evolution of the telecommunications landscape.

"Faced by rapid technological progress and the development of products, we have been forced to adopt a new commercial attitude with regard to our clients," says Francois Arrivet, the architect of French Telecom's commercial strategy.

Today the professional customer is looking for more than a simple telephone. He wants a whole system of communication including data transmission, storage and processing.

To meet the demands of an increasingly sophisticated clientele, the company is restructuring its commercial network to offer a more personalized quality service.

With 16,000 employees at 600 outlets, the sales network already exists.

A National Accounts Department was created in 1986 to service the country's top businesses. It will eventually have 50 specially trained managers, experts in data processing and telecommunications — each with a portfolio of two clients.

Their unique role will be to take care of the top 100 companies which account for 10 percent of the company's revenues. The companies benefit and French Telecom gains from a closer relationship with these demanding, multinational and multifaceted clients.

Through our account managers," says Alain Lenoir, head of the department, "we can discern our clients' individual needs, as well as their expectations for new products such as ISDN."

This is essential to establish partnerships with clients and manufacturers for developing and testing new services, products and applications.

"We conduct joint studies with our clients," explains Arrivet. "If the results are positive, as they were for the Minitel or more recently for a telemetry study conducted with Ficher-Bauche in Bordeaux, marketing is implemented."

To further increase customer satisfaction, French Telecom is establishing contractual relationships with its clients. These contracts range from the simple obligation to respect delivery dates (quite a revolution for a state-owned company) to assuring the quality of specialized digital services.

Finally, the telephone company is committed to restructuring its rates, which, until recently, were fixed by the government according to budgetary considerations.

"These must reflect the reality of costs," declared Maurice Roulet, director general of French Telecom. Readjustments as a function of length rather than distance began in 1986 with drops on long-distance calls and slight increases on local calls. By 1989, the phone company expects its rates to be in line with those on the world market.

The introduction of the value-added tax (VAT) on November 1, 1987 will help give French Telecom a competitive edge as companies see their telecommunication cost drop by 15.7 percent for a global savings of 5.3 billion FF in 1988.

— Joyce Wakmann

## FRENCH TELECOM

(Continued from Page 1)

Inadequacies is the amount wasted on developing today's exchange switching systems. Seven European countries spent eight billion dollars for seven different rival systems. At the same time, the United States spent three to four billion for four different systems and Japan spent five billion for two. To date no European country accounts for more than six percent of the world telecommunications market as against more than 35 percent for the U.S. and 11 percent for Japan.

At such a low market share, not one of the European switching systems has earned back the money invested. The first test of how well the pan-European market can work is the digital cellular car radio network. Recently, Great Britain, France, West Germany and Italy agreed on a narrowband norm as opposed to broadband. This was a victory for the British preference and took some hard bargaining.

But it showed to a cynical world that the Europeans are serious about working together. For his part, Mr. Grenier points out that France is already close to conforming with all the points in the Green Paper. As proof of its good faith, the government decided on the recent privatization of the CGCT (Compagnie Générale des Constructions Téléphoniques) and its sale to a consortium headed by Ericsson of Sweden and Marza of France.

As a result, the French public telephone switching market now has an important new competitor.

The EEC stipulates that an efficient basic telephone service must be preserved, and that outside

The Minister, Mr. Longuet, has already announced five new candidates for deregulation in France: cable, radio telephone, radio paging, value-added networks or VAN's, and public phone booths.

In the area of cable, French Telecom has enthusiastically agreed to divide up the work with outside consortiums, cutting back on costly plans made by the previous Socialist government to cable all of France with multimode optical fiber. This is a case of deregulation to the rescue. They expected to lose up to two billion francs a year. Now these losses will be greatly reduced.

On the new radiotelephone or paging market, French Telecom has chosen to team up with the U.S. market leader, Motorola, against the new doubles combination of Télédiffusion de France and Mitsubishi from Japan.

It is too soon yet for a progress report but this should be one to watch. Bids recently closed from a list of prestigious companies interested in the right to compete in the radio telephone field. The Ministry estimates the market next year at some 40,000 to 70,000 annually, for France is still a relative newcomer to the field with only 0.8 radiophones per 1000 inhabitants compared to 2.6 in England and 15 in Scandinavia.

Finally, there is the prospect of competition in the important field of value-added networks. This is a developing sector which involves advanced software and high profit margins. The most successful VAN in France to date is French Telecom's own electronic directory on the Minitel. Major groups like IBM and Olivetti have already signed up with French partners to offer VAN's, but the rules of the game have not been established and the government has been criticized for stalling again.

However, the toughest battle of them all may well be waged in the corridors of power. Clearly, some form of deregulation is inevitable for the group as a whole. The question is the timing. Soon after his nomination last year, the Minister of the PTT, Gérard Longuet, set up a general Commission of Deregulation which prepared a bill designed to modernize all areas of French telecommunications. Then, with the realization of just how complex the changes will be and how many people will be affected, the government applied the brakes. The bill may not pass now until 1989 after the Presidential elections.

Both Messrs. Longuet and Roulet argue that French Telecom must have more flexibility to set its own prices, to pay higher salaries, in short, to respond to economic imperatives.

"I try to explain that this is a national challenge, not a political debate. Afterwards we can choose privatization or remain a state company," says Mr. Roulet. But an opinion poll of employees revealed that 77 percent believe that a new statute would lead to loss of jobs. On the other hand, they also expect salaries to go up. "We are working slowly toward a consensus and this is another part of my job," says Mr. Roulet. So far, the only reform in this direction is the right to introduce value-added tax on all telephone calls. This means business



Minitel kiosk in the Pompidou Center.

customers will pay the same rate as before but can claim the 15.7 percent VAT back from the government. Technically it represents a loss in revenue but at least it makes French Telecom competitive with new private competition.

However, there is another trump card which Marcel Roulet intends to play. A group of satellite companies have been revamped and grouped under a holding, Cogecom. Each company has its slot and together they are responsible for sales and promotion abroad for the whole range of French telecommunications. These smaller companies are flexible and profitable, with turnover climbing fast, up 35 percent in 1986. One by one, they will be opened up to new capital and plans are already under study for an eventual stock-market listing for the EGT (Entreprise Générale des Télécommunications), which handles radio paging, fax machines and car radios.

In other words, a mini-privatization is planned. All international accords will be negotiated through these affiliates, and will not be subject to approval delays back home.

As Marcel Roulet has observed, deregulation cannot simply be imported into France without consideration for traditions and the present organization of the market. The evolution of new institutions in a complex society is a slow and difficult process, he says. Nevertheless, the Ministry and French Telecom remain convinced that this is the only path if France is to take her rightful place in the telecommunications world of tomorrow.

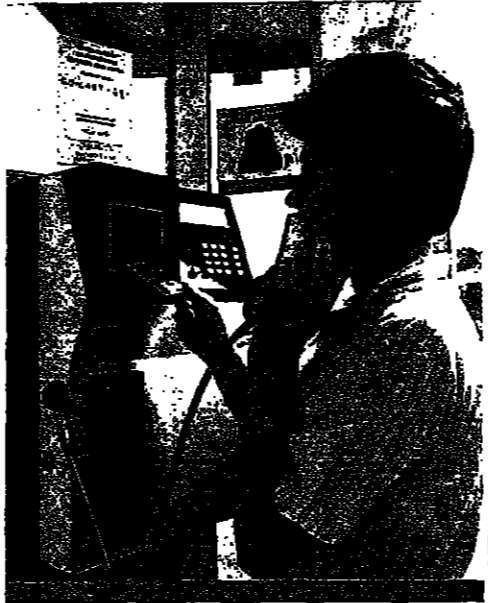
— Frances Cleary



Shopping for service.

### At This Rate...

**L**ONG-DISTANCE calls rang up 6.4 billion francs worth of business for France Telecom last year, despite lower rates that have cut the cost of such connections by up to 37 percent since 1984. The greatest savings were on calls to the United States, where one minute's conversation currently costs an affordable 9.37 francs full rate and, off-peak, 7.20 and 5.70. Prices to the French-speaking parts of Africa have fallen 32 percent to 14.60 francs full rate and 10.20 francs off-peak. Within Europe, EEC members and Switzerland can be contacted for 4.50 francs per minute and the remainder of the continent for 6.55 francs per minute.



Calling by card catches on.

this competition should be as wide as possible. The question is how rapidly and under what guidelines French Telecom should approach a new partnership with the private sector as deregulation proceeds.

## Going Global

**T**HE evolution of the telecommunications industry makes it necessary for any telephone company, even a state-controlled monopoly, to meet international standards of price, quality and service. French Telecom International (FTI), which covers the international activities of French Telecom and its six subsidiaries, is currently working on all fronts to make sure its numerous trump cards are fully exploited.

Our network is the most modern, most digitized and the newest," states Jean Grenier, head of FTI. "And despite the fact that as a government institution we have less flexibility, we have been innovative in terms of new services such as videotex, digitization and more."

These new services currently represent less than 10 percent of revenues, but by the year 2000 they are expected to account for one-third of the business. Today, 80 percent of the group's international revenues — 10 percent of total turnover — still comes from telephone traffic. Competition on international links, already a reality, represents a real threat to the company's revenues.

If calls originating from abroad are significantly cheaper, the "call me back" syndrome will start eating away at France's international earnings. Multinational companies might even move their headquarters to those areas where telecommunications are cheap.

To face this competition, FTI has been reducing its rates over the past three years, with drops of 11 percent to the Middle East and up to 37 percent on the important North American line. Tariffs in such highly competitive sectors as digital services by satellite were reduced by 20 to 30 percent in 1986 and even more for medium-term (three to five year) contracts.

Yet, if telephone traffic is today's most important source of international revenues, other trends are equally significant. Telephone traffic is decreasing as big corporations move their voice-traffic from public to private networks, and non-voice traffic is rising as businesses turn increasingly to data transmission. "If we don't anticipate these trends," warns Jean-Jacques Darlanman, head of international operations, "the overall income of French Telecom will suffer as will its ability to be a real force in the industry."

As FTI revamps its international tariffs, the group is expanding its presence abroad. FTI bureaus monitor foreign strategies, technologies and regulations while developing contacts and promoting French telecommunications. Meanwhile, worldwide subsidiaries are active in sectors such as submarine cable links, satellite networks, engineering and consultancy, videotex and digital communication.

One of them, France Cables & Radio (FCR), now markets its considerable expertise worldwide. The company is, for example, currently developing a micro-wave link in Abu Dhabi and a domestic satellite network in Argentina and Bolivia.

Sofrecom, another subsidiary, specializes in helping developing countries establish, improve or operate their national networks. It now has over a hundred projects in some 40-odd countries. A typical example is the Greater Dakar project to double the city's telephone capacity. The company created the master plan, assisted in judging offers and financing the project, and is now engineering its realization and managing its installation. "We

with the United States and Britain on the trans-Atlantic cable TAT-8 and on preparations for TAT-9 to link the United States, Canada, Britain, France and Spain in the early 1990s.

Since the launching of France's satellite Telecom-1 in 1984 and the increased digitization of the national telephone network, FCR has been involved in actively promoting and marketing a series of sophisticated business services. The "Trans" range — a prefiguration of the ISDN network with data transmission rates of between 64 kb/s and 1920 kb/s — speeds computer-file transfer, image-bank consultation, computer-aided design and manufacture, and data distribution.

International clients include Barclays and E.F. Hutton for the transfer of financial data and voice/data multiplexing, AEP for photo and text transmission multiplexed with voice and data, and the International Herald Tribune for broadcast facsimile to print the newspaper in Miami.

Competition in this area is particularly fierce between London and Paris, both striving to become the hub of Europe. But if London is favored for finance, Paris is quickly catching up in every other area. Says Jacques Cauchy, head of Digital Business Services at FCR: "Companies using these links now realize how vital they are and no longer rely on one trans-Atlantic link."

Today there are seven Telecom-1 earth stations operated by the German Bundespost, and others in Brussels, Dublin, Copenhagen and Britain. Meanwhile, the FTI bureau in New York has helped the company develop contacts with more than 20 American carriers.

Corporate communications is another promising area and FTI, through its subsidiary FCR, has broken into several foreign markets over the past two years by offering multinational corporations an end-to-end service from the master plan to actual operation of the corporate network with voice, data and video options.

Finally, FTI is determined to export its successful videotex system. Its subsidiary, Intelmatique, has recently scored a major success on the massive Canadian market. Brazil has officially adopted the French standard, and there is further development in private networks around the world. In Spain and Switzerland, despite official acceptance of the German standard, over 25,000 Minitels have been installed.

In the United States, the single most important market, U.S. Videotel in Houston, Texas, is launching a Minitel network with business and general applications. It aims to install 30,000 Minitels by the end of the year. Intelmatique expects that the United States will become a significant market by the end of 1988. Because of the success of the system in France, acute interest has been shown by all sides of the industry.

— Joyce Wakmann

FRANCE  
**TELECOM**  
INTERNATIONAL

**Taking Stock**  
The Meaning

**Cur**

**Forward Rates**

1 month	1.125	1.125
3 months	1.150	1.150
6 months	1.175	1.175
9 months	1.200	1.200
12 months	1.225	1.225

**Key Money Rates**

1 month	1.125
3 months	1.150
6 months	1.175
9 months	1.200
12 months	1.225

Sources: Reuters, Bank of Tokyo, etc.

Vertical text on the left margin: P, 1, 6, 10, 14, 15, 16, 17, 18, 19, 20, 23, 24, 25, 28, 30, 34, 35, 36, 38, 41, 42, 43, 44, 45, 46, 47, 48

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THURSDAY, OCTOBER 22, 1987

ECONOMIC SCENE

Taking Stock and Weighing The Meaning of the Market

By LEONARD SILK New York Times Service NEW YORK — Suddenly all everybody wants to know is what's happening to the stock market. People getting off planes rush to telephones to find out whether their stocks are up or down. Bus drivers ask their passengers whether they should buy or sell. Does it really matter all that much? What is the stock market, anyway? For some, the market is a gambling casino, a racetrack without horses. But for many others, especially in this day of individual Retirement Accounts, Keogh accounts and company or city or college pension plans, it is their life savings, their personal and family security. When the stock market drops by \$1 trillion — which is roughly how far all the stocks on the New York Stock Exchange have fallen from late August through Monday — that plunge is enough to wipe out decades of savings. More than a casino or an enormous piggy bank, the stock market is an integral part of how young businesses obtain capital they need to grow. Admittedly, the "primary market" — in which corporations raise money by selling new issues of stocks — is a small part of the mechanism of corporate finance. The stock market that Americans have elevated to a spectator sport is the "secondary market," where the shares that companies issued years ago change hands again and again. When those shares rise or fall in value, individual investors or financial institutions pocket the gains or losses. The companies themselves are reduced to keenly interested observers. Nevertheless, the new money raised in the primary market is not a trivial sum. Last year it came to about \$100 billion (although, with all the mergers, acquisitions and buybacks of shares, American corporations actually retired more stock than they issued). And to young and growing companies, that \$100 billion is vital beyond the raw amount. Similarly, "equity" — the value of all the shares owned in corporations — is vital to the functioning of the capitalist system. All the debt owed by corporations, in bonds and loans, is only one-third the value of their equity. If the debt, and the burden of making interest payments, gets too high, the corporations find themselves on thin ice and could crash through. This is one reason why executives worry so much about the value the stock market puts on their shares. But it is only one reason. The stock market holds every company, however lofty or lowly its product or purpose, to the same daunting standard: It honors the enterprise that knows how to make a buck. Executives learn that the market takes their measure. Its constantly fluctuating prices pronounce them effective managers, irresistible salesmen, inspirers of others, daring innovators, maybe geniuses — or sly rogues, miscalculators, wrong-guessers, incompetent turkeys whose inaction has left their companies ripe for takeover by sharp-eyed, sharp-penciled raiders. And for those who play the market — including the executives whose real pay often takes the form of options to buy stock — it is the path to fortune. It can be the test of manhood or womanhood, the stuff of dreams, novels, television serials or social tracts and satires. It exposes the follies and underscores the ethics of yuppies, arbitrageurs, takeover artists and stuffed shirts. The stock market is a psychological test. The human race is divided into two classes of beings, it seems: "bulls," the eternal optimists, and "bears," the eternal pessimists. To be sure, people have been known to undergo a species-change from bull to bear, and there are times when too psychol-



John J. Phelan Jr. will most likely go down in history as the man who kept the exchange running during the crisis of 1987.

'The Prince' of the Trading Floor NYSE's Chairman Leads Exchange to a New Order

By Robert J. Cole New York Times Service NEW YORK — On a long table just outside the office of John J. Phelan Jr., the soft-spoken chairman and chief executive officer of the New York Stock Exchange, stands a neat, mahogany-framed motto taken from Machiavelli's "The Prince." "There is nothing," it reads, "more difficult to take in hand, more perilous to conduct, or more uncertain in its success, than to take the lead in the introduction of a new order of things." After nearly half a lifetime on Wall Street, at the very heart of business, on the trading floor of the most influential stock exchange in the world, Mr. Phelan is accustomed to taking the lead in the new order of things. In one of his proudest achievements, the 56-year-old executive was instrumental in getting the exchange to spend \$200 million in the past seven years to computerize almost everything in sight. As a result, the exchange can handle trading volume that would have been unthinkable 20 years ago. Still, on Tuesday, Mr. Phelan ordered sharp restrictions on computerized program trading. For that action and others, he will most likely go down in Wall Street history as the man who kept the exchange running during the great market crisis of 1987. Not very long after daylight Tuesday, he settled back with the morning papers and prepared for his usual business-meeting breakfast at the office. Based on an overnight analysis of Monday's incredible market activity, the outlook seemed promising. The gist of the meeting, as one official close to the chairman put it, was that "everything is going as well as can be expected." By shortly before noon, however, after fielding urgent phone calls, Mr. Phelan raced down the hall into an elevator and through an array of well-wishers on the NYSE floor to confer with senior executives. Outside, hundreds of people milled around, wanting to witness the unprecedented clamor at the exchange. Television film crews set up cameras at all of the doors to interview traders as they took breaks. Inside, the reason for Mr. Phelan's urgency grew clearer. A few minutes after noon, an exchange bulletin flashed the news that because other exchanges around the country had shut down futures trading, the New York Futures Exchange, a part of the Big Board, was suspending operations in a sign of solidarity. Within 45 minutes Mr. Phelan reopened the futures exchange. As the highest-paid chairman in the history of the exchange, with a salary close to \$750,000 a year, Mr. Phelan seems suited to cope with what is perhaps the nation's most important economic development since the Great Depression. He was born in New York City on May 7, 1931. By his early 20s he was a U.S. Marine sergeant, serving in Korea. He received a bachelor's degree from Adelphi University, and at age 24 was a partner, and at 31 managing director of a successor firm known as Phelan & Co. At 41, in a second reorganization, he became senior partner of Phelan, Silver, Vesce, Barry & Co. In 1975, while still on the exchange floor, he won a post as the NYSE's vice chairman, serving until mid-1980, when he became president and chief operating officer. He stepped up to chairman and chief executive in May 1984. At 2 P.M. on Monday, with the markets crumbling, it was a cool-headed chairman who decided to call the press together that evening. "It's the nearest thing to a meltdown that I ever want to see," he remarked of the trading day. That evening, President Ronald Reagan spoke confidently of the economy, with never a thought of ordering a trading halt. Counseling him that trading should continue was Mr. Phelan. Mr. Phelan confers with the president regularly as chairman of the President's Board of Advisors on Private Sector Initiatives, but it was Howard H. Baker Jr., the White House chief of staff, who telephoned repeatedly Monday for consultations. On Tuesday, after the close of trading, with the Dow Jones industrials recovering 102.27 points, Mr. Phelan seemed to feel a lot better. "I didn't get much sleep Monday night," he told reporters, "but I hope to get a little more now."

Europe, Asia Rebound, Following Wall Street

London Rise Helps Offset 2-Day Plunge

Compiled by Our Staff From Dispatches LONDON — Buyers returned to stock markets in Europe on Wednesday, turning prices around after major losses the previous two days. Wall Street's partial recovery on Tuesday, which continued Wednesday, was the major boost to prices across Europe, analysts said. U.S. stocks soared in European trading after a number of American companies announced that they planned to repurchase their own shares when trading began in New York, brokers said. Prices on the London Stock Exchange, after seasawing during much of the session, managed a record gain to recover more than a quarter of their huge losses earlier in the week. Over two days, stock values slid an unprecedented 21.7 percent. The Financial Times 100-share index finished 142.2 points higher at 1,945.8, though this was still 15.5 percent below Friday's close. The index, following Wall Street's lead, fell 250.7 points on Tuesday and 249.6 points on Monday. Volume was so heavy in London on Wednesday that it caused technical problems, forcing the exchange to stop computing the index at noon for three hours. The price quotation system, which market makers use to advertise their prices for individual shares, functioned normally. Earlier in London, prices had retreated on profit-taking and at one point the FT-SE index was up only about 100 points. But prices recovered after midday when buying, some of it from U.S. investors, picked up again, brokers said. In Paris, share prices made new gains in active late trading and closed higher, buoyed in part by the rally on Wall Street. The Bourse indicator managed a gain of 3.48 percent, although traders said that prices had come under pressure earlier in the day from selling by foreign institutions. There were many buyers ready to take up the slack. Banking sources said Wednesday that state-owned financial institutions had intervened energetically to buy shares on Tuesday in an attempt to stem the wave of selling. They declined to say how much had been spent. France has a strong tradition of central intervention on markets. After the plunge in share prices, sources said, the institutions intervened to protect the up to a million small investors who had bought shares in the government's privatization program. In Frankfurt, prices were up sharply and ended near the day's high. Dealers said that domestic investors and professional operators were hunting for bargains after the sell-off Monday and Tuesday. The Commerzbank index gained 110.90 points, or 0.64 percent, to finish at 1,780.30, compared with 1,669.40 on Tuesday. The index fell a record 132.5 points on Monday and 74.70 points on Tuesday. In Milan, share prices also closed sharply higher in active, nervous trading. The main stock index gained 3.93 percent to 847. In Amsterdam, the main all-share index gained 5.9 points, or 7.8 percent, to close at 84.8 points. In Zurich, stocks prices climbed sharply on heavy volume as Tuesday's recovery continued. (AP, Reuters)



IN THE PIT — A trader at the Tokyo Stock Exchange uses oral as well as manual dexterity to keep up with the fast-paced market Wednesday morning.

Tokyo's Gain Sets Record as Loss Is Cut

Compiled by Our Staff From Dispatches TOKYO — Japanese stock prices, boosted by the partial recovery overnight in New York, posted a record advance on Wednesday, regaining more than half of the 15 percent plunge registered the previous day. Prices on other Asian stock markets also recouped some of Tuesday's losses. Analysts said the improvement raised hopes that the worst of the plunge in stock markets may be over. However, the Australian market improved only 1.3 percent after its historic dive on Tuesday of 25 percent. The Nikkei stock average of 225 major Japanese issues on the Tokyo Stock Exchange jumped by a record 2,037.32 points, or 9.3 percent, to close at 23,947.40. The Nikkei indicator followed a record 3,838.48 points on Tuesday. The previous record single-day point gain was 906.42 points on July 24. The fall on Tuesday "had nothing whatever to do with Japan's economy," said Hiroyuki Wada, a senior analyst at Okasan Securities. "Japan's economy is very strong," he added, noting that the crash "was an overreaction to Wall Street's panic selling" on Monday. The Hong Kong Stock Exchange remained closed after its board suspended trading for the rest of the week on Tuesday. Authorities said, however, that the exchange could reopen earlier, depending upon the international situation. In unofficial trading, Hong Kong share prices were 20 to 25 percent below Monday's closing levels, brokers said. The Singapore and Malaysian stock markets were closed for a holiday. In Australia, the All Ordinaries Index recovered only 19.7 of the 515 points it lost in Tuesday's mauling, which saw the indicator plunge to 1,549.5. The index rose 80 points early in the day, but most gains evaporated toward the close. (AP, Reuters)

Currency Rates

Table with columns for Currency, Bid, Ask, and other rates. Includes entries for Amsterdam, Frankfurt, London, New York, Paris, Tokyo, etc.

Other Dollar Values

Table with columns for Currency, Bid, Ask, and other values. Includes entries for Argentina, Brazil, Canada, etc.

Forward Rates

Table with columns for Currency, Bid, Ask, and other forward rates. Includes entries for Pound Sterling, Japanese Yen, Deutsche Mark, etc.

Interest Rates

Table with columns for Eurocurrency Deposits, Bid, Ask, and other interest rates. Includes entries for 1 month, 3 months, 6 months, 1 year.

Key Money Rates

Table with columns for Discount rate, Fed funds, etc. Includes entries for Discount rate, Fed funds, etc.

Asian Dollar Deposits

Table with columns for Bid, Ask, and other Asian Dollar Deposits. Includes entries for 1 month, 3 months, 6 months, 1 year.

U.S. Money Market Funds

Table with columns for Fund Name, Yield, and other U.S. Money Market Funds. Includes entries for Merrill Lynch Ready Assets, etc.

Gold

Table with columns for Bid, Ask, and other Gold prices. Includes entries for Hong Kong, London, etc.

France Postpones Sale of Matra, Blames Market

By Jacques Neher Special to the Herald Tribune PARIS — The French government, succumbing to a skittish stock market and increasingly bitter political opposition, postponed Wednesday its privatization of Matra SA, the defense and electronics group. The sell-off of the state's 50.97 percent share in Matra, originally set to begin Monday, will be pushed back "from a few days to a few weeks," the Finance Ministry said, citing unstable market conditions following Monday's 9.7 percent plunge at the Paris Bourse. The government had planned to float a 20 percent block of Matra stock, with the rest reserved for institutions or Matra employees. On Monday evening, following the market's 9.7 percent fall, Finance Minister Edouard Balladur maintained that the privatization would go forward as planned. On Tuesday, Jean-Luc Lagardere, the group's chairman, told securities analysts that "it wouldn't be good to move back the privatization of Matra." Market analysts, however, said the government had little choice but to call off its plans. "They would have been crazy not to slow down

the privatization program," said Daniel Serriya, who watches the French market for the brokerage Phillips & Drew in London. In September, Mr. Balladur said that over the next six months 100 billion francs (\$16.6 billion) worth of state-owned enterprises would be sold, among them two large insurance groups, UAP and AGF, and a 15 percent stake in Air France. Ms. Serriya said, "It was clear to most operators that the government's announcement to float 100 billion francs, 10 percent of the market's total capitalization, was not very smart and had contributed to the dullness of the market." On Wednesday, the Bourse gained 5.4 percent, but still remained 12 percent under the level at which it had begun the year. Also forcing the government to retreat, said analysts, was a pessimistic "gray," or secondary, market outlook for Compagnie Financiere de Suez. Its privatization closed last weekend but its shares have yet to be quoted. In the gray market, trading in when-issued stocks, speculators in London were betting this week that Suez would open below its initial offering price of 317 francs. "This has never happened before, and it couldn't have gone unnoticed by the government," Ms. Serriya said. Third, the pullback was seen as a reflection of the government's increasing awareness that its privatization program has become a political liability. One broker estimated that one-quarter of the 4 million people who had bought shares in privatized companies had sold them this week, many at a loss. At the start of trading Wednesday, the shares of 5 of the 10 recently privatized companies were trading below their initial offering prices. The Socialists, meanwhile, have increased their demands for an immediate halt to the program, which already has brought more than 50 billion francs into government coffers. "We're witnessing the failure of careless laissez faire and of savage capitalism," said Pierre Bergey, finance minister under the former Socialist government. He said the privatizations have caused higher interest rates in France by siphoning 50 billion francs out of its capital markets. The Finance Ministry says that the money raised by the sell-offs is being used to pay off France's national debt, a factor it claims will lessen the pressure on interest rates.

N.Y. Stock Exchange Acts To Restrict Program Trades

New York Times Service NEW YORK — The New York Stock Exchange has placed sharp restrictions on program trading in the first major regulatory effort to curb the explosion in computer-aided buying and selling that many believe accelerated the market's crash on Monday. Stock market officials insisted that they acted Tuesday solely to avoid overloading the exchange's swamped computer system, which was stretched to the limit again on Tuesday by a trading volume of more than 600 million shares, topping Monday's record of 604.8 million. The duration of the curbs is indefinite. But many Wall Street professionals speculated that the move was intended to quell the market's volatility and restore investor confidence. Some predicted that it was a prelude to a ban on the practice. NYSE officials said that the restrictions on program trading would not be permanent. John J. Phelan, the exchange's chairman, stressed that brokerage firms were free to continue to use most program-trading techniques, which typically involve taking advantage of discrepancies in prices between stock-index futures and the underlying stocks. But they were barred from automatically executing those trades through the high-speed computer-to-computer links that connect brokerage houses to the floor of the exchange. On Tuesday, the Chicago Mercantile Exchange temporarily halted the trading of Standard & Poor's 500 stock-index options and futures. The New York Futures Exchange also briefly suspended trading.

Market's Plunge Kills Bids, Slows Takeover Boom

Compiled by Our Staff From Dispatches WASHINGTON — The drop in the stock market appears to have stalled the merger boom that has helped fuel Wall Street for the past five years. In the past two days, several transactions have been canceled, including proposed leveraged buyouts by GAF Inc. and Trans World Airline Inc. Perhaps the biggest casualty so far has been Dart Group Corp.'s unsolicited \$6.3 billion bid for Dayton Hudson Corp., the big retailing chain. On Wednesday, the day after Dart pulled out of its offer, Dayton's directors acted to preclude another such bid, authorizing the repurchase of up to 15 million of the company's common shares. "I think every deal is in trouble," David Wittig, managing director of Kidder Peabody & Co. "If a person is out there and in a position to rethink his position in a transaction, he's going to do that." Meanwhile, a number of other companies have announced plans to repurchase shares. While some companies are capitalizing on an investment boom, others may be trying to keep their suddenly cheap shares out of the hands of corporate raiders. Financial experts said, however, that takeover bids could become scarcer. Although the falling market has created some bargains for raiders, a striking market in junk bonds — risky securities that were used to pay for many takeovers — could make buyouts more costly. Dart Group, which in September bid \$68 a share for Dayton Hudson, said late Tuesday that "given current market conditions," it would not seek to acquire Dayton Hudson or go ahead with a proxy fight to oust its board. "At the present time, the markets are chaotic," added Robert Haft who with his father, Herbert, controls Dart. The capital markets are dried up. Now is not the time to be seeking to consummate such a transaction. Should the circumstances change, we are still interested in acquiring a retailer." Sources said the Haft's could lose as much as \$70 million after taxes from their Dayton investment. The volatile stock market "is going to force a lot of re-evaluations of existing transactions — the ones out there now and ones in the formative stage," said Hamilton James, managing director of Donaldson Lufkin & Jenrette. The perception of values has changed. They have lowered. Many deals are premised on the ability to dispose unwanted assets at prices no longer achievable." GAF's chairman, Samuel J. Heyman, said Monday that higher interest rates made his proposed \$66-a-share purchase of the company "no longer possible." And on Tuesday, Carl C. Icahn, TWA's chairman, withdrew his bid to take the company private by

paying \$20 in cash and \$25 in 12 percent subordinated debentures for each TWA share. Also citing market conditions, Great Atlantic & Pacific Tea Co. canceled its proposed \$175 million takeover of Alabama-based Delchamps Inc. Wall Street sources also say that Southern Corp.'s \$5 billion leveraged buyout, which scheduled to be completed in early November, may have to be put on hold. A Southern spokesman, however, said the company still was "continuing its efforts to proceed on schedule."

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NYSE Most Actives					
Vol.	High	Low	Last	Chg.	
AT&T	12,120	47 1/2	47 1/2	47 1/2	+
IBM	11,100	111 1/2	111 1/2	111 1/2	+
AMER	10,800	23 1/2	23 1/2	23 1/2	+
AMER	10,800	23 1/2	23 1/2	23 1/2	+
AMER	10,800	23 1/2	23 1/2	23 1/2	+

Market Sales		
NYSE 3 p.m. volume	378,923,000	
NYSE 3 p.m. volume	378,923,000	
NYSE 3 p.m. volume	378,923,000	

NYSE Index				
	High	Prev.	Low	Today
Composite	174.12	174.04	173.84	174.12
Industrial	141.87	141.79	141.54	141.87
Utilities	101.71	101.72	101.51	101.71
Finance	121.71	121.82	121.16	121.82

**Wednesday's NYSE 3pm**  
Via The Associated Press

AMEX Diary				
Not available at press time				

NASDAQ Index				
Composite	1,111.11	1,111.11	1,111.11	1,111.11
Finance	1,111.11	1,111.11	1,111.11	1,111.11
Insurance	1,111.11	1,111.11	1,111.11	1,111.11
Utilities	1,111.11	1,111.11	1,111.11	1,111.11
Health	1,111.11	1,111.11	1,111.11	1,111.11

AMEX Most Actives					
Vol.	High	Low	Last	Chg.	
IBM	11,100	111 1/2	111 1/2	111 1/2	+
AT&T	12,120	47 1/2	47 1/2	47 1/2	+

Dow Jones Bond Averages				
Govt	101.12	101.12	101.12	101.12
Corp	101.12	101.12	101.12	101.12
Inv	101.12	101.12	101.12	101.12

NYSE Diary				
Not available at press time				

Odd-Lot Trading in N.Y.				
Buy	100	100	100	100
Sell	100	100	100	100

Dow Jones Averages					
Index	High	Low	Close	Chg.	
NYSE	174.12	173.84	174.12	0.28	+
AMEX	174.12	173.84	174.12	0.28	+
NYSE	174.12	173.84	174.12	0.28	+

Standard & Poor's Index				
Composite	1,111.11	1,111.11	1,111.11	1,111.11
Finance	1,111.11	1,111.11	1,111.11	1,111.11
Insurance	1,111.11	1,111.11	1,111.11	1,111.11
Utilities	1,111.11	1,111.11	1,111.11	1,111.11
Health	1,111.11	1,111.11	1,111.11	1,111.11

Previous NASDAQ Diary				
Not available at press time				

AMEX Stock Index					
High	Prev.	Low	Today	Chg.	
174.12	173.84	173.84	174.12	0.28	+

### MARKETS: Dow Soars 186 as Buyers Return

(Continued from Page 1)

economy," he contended. "We are likely to see a recession begin almost immediately. And as investors respond to fears of deflation — rather than inflation — they will buy food, drug and utility issues."

Traders said buyers Wednesday were attracted by lower prices and by some easing of fears that interest rates will rise. "All our models indicate there is value in stocks," said Larry Greenwald, co-manager of equity trading at Sanford C. Bernstein & Co. "But psychology will dominate the near-term picture."

Sentiment also has gotten a boost from the willingness of some of America's biggest companies to purchase their own shares. Educational Computer Corp., Lockheed Corp., Meausure Corp. and Western Savings & Loan Association were among the many companies that announced buybacks on Wednesday.

Much of Tuesday's Dow rebound was triggered when companies such as steel giant U.S. Steel Corp., Ford Motor Co., Merrill Lynch and Allied Signal Corp. announced plans to repurchase outstanding shares that had been battered in Monday's plunge.

"The companies believe their stock prices are bargains at this level," said Sarah Stack, an analyst at Bateman Eichler, Hill Richards Inc. in Los Angeles.

At 3 P.M., General Electric was the most active NYSE-listed issue, rising \$4.62 to \$49.75. Archer-Daniels-Midland, the agricul-

Due to the extraordinary volume of trading on Wall Street, these pages include prices as of 3 P.M.

tural products company, followed, rising 25 cents to \$19.375.

American Telephone & Telegraph was third, climbing \$2.50 to \$29.25.

Among other issues, International Business Machines climbed \$7.75 to \$122.75.

The recent plunge in stock prices has significantly slowed the merger boom, and stocks in some companies that were targets of takeover attempts were among Wednesday's gainers. Gillette was up \$3 to \$29, while Dayton Hudson rose \$2.5 to \$30.25. On Tuesday, Dart Group Corp. dropped its \$6.3 billion bid for Dayton Hudson, and the retailer responded by announcing on Wednesday its own share buyback plan.

On the London Stock Exchange, the Financial Times-Stock Exchange 100-share index rose a record 142.2 points to 1,943.8, regaining slightly more than half of its record loss of the previous session.

Prices rocketed earlier on the Tokyo Stock Exchange, where the 225-share Nikkei stock average shot up 2,037.32 points — its largest one-day advance ever — to close at 23,947.40. On Tuesday, it fell a record 3,838.48 points.

(UPI, AP)

12 Month High	Low	Stock	Div. Yld.	Sales in \$B.	High	Low	3 P.M. Chg.
174.12	173.84	NYSE			174.12	173.84	0.28
174.12	173.84	AMEX			174.12	173.84	0.28
174.12	173.84	NYSE			174.12	173.84	0.28
174.12	173.84	NYSE			174.12	173.84	0.28

12 Month High	Low	Stock	Div. Yld.	Sales in \$B.	High	Low	3 P.M. Chg.
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174.12	173.84	NYSE			174.12	173.84	0.28


12 Month High	Low	Stock	Div. Yld.	Sales in \$B.	High	Low	3 P.M. Chg.
174.12	173.84	NYSE			174.12	173.84	0.28
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174.12	173.84	NYSE			174.12	173.84	0.28
174.12	173.84	NYSE			174.12	173.84	0.28

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**THE AUSTRALIAN NUGGET**

(Continued on next left-hand page)

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BUSINESS ROUNDUP

Icahn to Buy TWA Stock on Market

NEW YORK — Carl C. Icahn, chairman of Trans World Airlines Inc., said Wednesday that he will buy TWA stock periodically on the open market. The announcement came a day after the stock market collapse prompted the financier to withdraw his \$1.35 billion bid to take the carrier private.

Icahn's plan to take TWA private is "over and gone," the spokesman said. Analysts, however, said that this week's collapse in stock prices mean that Mr. Icahn might be able to buy TWA stock at a price cheaper than his old offer, which would have given stockholders the equivalent of about \$36 a share.

Icahn's announcement and the reversal of the company's third-quarter earnings. TWA said that according to preliminary results the company had an operating profit of \$128.5 million in the third quarter, up 10 percent from \$104.8 million in the 1986 period.

ITT Net Profit Jumped 67% In 3d Period; Sales Rose 11%

NEW YORK — ITT Corp. said Wednesday that strong performance in its insurance, consumer finance and hotels divisions boosted its third-quarter profit by nearly 67 percent, to \$210 million.

\$183 million to Alcatel NV during the third quarter to maintain its 37 percent interest in the telecommunications venture. Alcatel, based in Brussels, was formed earlier this year by the merger of the telecommunications and cable activities of ITT and Compagnie Generale d'Electricite, the French telecommunications concern.

ITT said its Sheraton hotel unit posted major gains, and it cited improved operations in North America. The ITT Financial unit's consumer loans section also posted a gain. Other strong performers were the divisions for communications and information services, industrial products and wood products.

For the first nine months of 1987, profit totaled \$637 million, or \$4.19 a share, compared with \$392 million, or \$2.57 a share, a year before. Sales jumped 13 percent to \$14.3 billion, from \$12.7 billion.

ITT said it registered strong gains in domestic casualty insurance business at its Hartford insurance unit. But the gains were offset somewhat by results in its group medical insurance unit.

Mr. Hatch noted that, in the future, if TWA's stock has edged back up, Mr. Icahn can make a formal tender for the remaining shares. "As we all know, this is a man who has interests beyond the airline industry," the analyst added.

Decline Forecast in U.S. Automakers' 3d-Quarter Profits

DETROIT — General Motors Corp. is expected to have a large operating loss from its automotive business and the earnings for Ford Motor Co. and Chrysler Corp. are expected to decline from last year when the three automakers made their quarterly reports at the end of the month, according to analysts.

General Motors, whose earnings have declined yearly since peaking in 1984, is expected to report a pretax operating loss of between \$200 million and \$400 million, reflecting ongoing weakness in its basic automotive business. The company had a restated pretax operating loss of \$252 million in the year-ago quarter.

decline in car sales from year-earlier levels. General Motors, whose earnings have declined yearly since peaking in 1984, is expected to report a pretax operating loss of between \$200 million and \$400 million, reflecting ongoing weakness in its basic automotive business.

NatNed to Buy Western Union, Canada Insurer

AMSTERDAM — National-Nederlanden NV said Wednesday that it would acquire Western Union Insurance Co., a Canadian insurer, from Frank Freeze Ltd. for an undisclosed amount.

Irving Bank's Profit Jumped 194% in Period

NEW YORK — Irving Bank Corp. said Wednesday that its third-quarter profit jumped 194 percent, to \$96 million, from \$33 million in the 1986 period. It cited a \$86.7 million pretax gain in connection with its pension plan and a lower effective tax rate.

NYSE Suspends 3 Firms For Financial Problems

NEW YORK — The New York Stock Exchange suspended three small member firms on Wednesday, citing their "financial difficulties."

The three brokerages, all located in New York City, were William D. Mayer & Co., American Investment Securities Inc. and Metropolitan Securities. All traded only for the accounts of their own principals and did not handle public customer accounts, the exchange said.

GM Canada, Union Close To Pact as Deadline Nears

TORONTO — General Motors Corp. and its 40,000 Canadian workers resolved several issues in contract talks on Wednesday and pushed for a settlement before Thursday's strike deadline, both sides said.

Assuming annual inflation of 5 percent, those increases and cost-of-living adjustments would, by 1990, boost an assembler's hourly wage to about \$13.50, or 18 Canadian dollars, from \$11.50 under the old agreement.

Company Results

Table with columns for Company Name, Period, Revenue, Profit, and other financial metrics. Includes companies like Australia, City Fed Financial, KeyCorp, etc.

Advertisement for People's Republic of China 6% Bearer Bonds of 1987/1992. Includes details about the bond value (DM 300,000,000), interest rate (6%), and a list of participating banks from various countries.

Advertisement for Islamic Development Bank. Includes the bank's name in Arabic and English, an invitation to prequalify for the construction of the Islamic Development Bank Headquarters Project in Jeddah, Saudi Arabia, and details about the project and tender process.

Wednesdays NYSE 3pm.

Table with columns: 12 Month High Low Stock Div. Yld. PE 52 Wk High Low 3PM. Contains NYSE market data.

Table with columns: 12 Month High Low Stock Div. Yld. PE 52 Wk High Low 3PM. Contains various stock market data.

Table with columns: 12 Month High Low Stock Div. Yld. PE 52 Wk High Low 3PM. Contains various stock market data.

Table with columns: 12 Month High Low Stock Div. Yld. PE 52 Wk High Low 3PM. Contains various stock market data.

Table with columns: 12 Month High Low Stock Div. Yld. PE 52 Wk High Low 3PM. Contains various stock market data.

Industrial furnaces... use less fuel with American electronic system... METEK Paoli, Pennsylvania 19381

Table with columns: 12 Month High Low Stock Div. Yld. PE 52 Wk High Low 3PM. Contains various stock market data.

125,000 Tons of Corn Bought in U.S. by Soviet. WASHINGTON — The Soviet Union has bought 125,000 metric tons of U.S. corn...

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U.S. Futures... Paris Commodities... JAL to Buy GE Engine... TOKYO — Japan Airlines will buy at least 20 CF6-80C2 engines from General Electric Co. for its new Boeing 747-400 airliners.



U.S. Futures

Table of U.S. Futures prices for various commodities including Grains, Food, Metals, and Livestock. Columns include Commodity Name, Month, Price, and Change.

Currency Options

Table of Currency Options for various currencies including British Pounds, Swiss Francs, and Japanese Yen. Columns include Currency, Strike Price, Call Price, Put Price, and Intrinsic Value.

SILK: Mysteries of the Market

(Continued from first finance page) ... takes over and virtually the whole market undergoes such a transformation. That has been happening since late August.

Hydro A/S Delays Rights Issue Amid Markets Turmoil

OSLO — Norsk Hydro A/S, Norway's biggest diversified corporation, said Wednesday that it was considering postponing a planned 3.5 billion kroner rights issue following recent volatility in world securities markets.

Nerve Systems

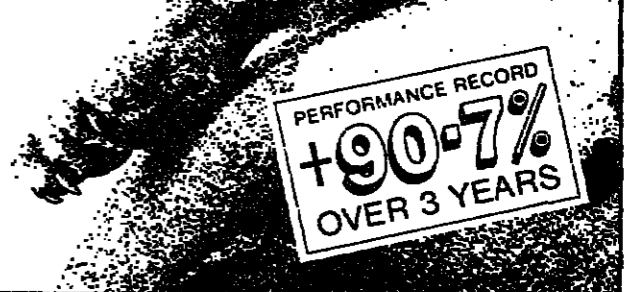
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INTERNATIONAL STOCK MARKETS IN THE IHT EVERY TUESDAY. A COLUMN ON NON-U.S. STOCK MARKETS, ESSENTIAL READING FOR INVESTORS AND PROFESSIONALS WORLDWIDE

Paris Commodities

Table of Paris Commodities prices for various goods like sugar, coffee, and cocoa.

London Commodities

Table of London Commodities prices for various goods like sugar, coffee, and cocoa.

Dividends

Table of Dividends for various companies, listing Company Name, Dividend Amount, and Payout Date.

Spot Commodities

Table of Spot Commodities prices for various goods like aluminum, copper, and zinc.

DM Futures Options

Table of DM Futures Options for various currencies and time periods.

London Metals

Table of London Metals prices for various metals like aluminum, copper, and zinc.

U.S. Treasuries

Table of U.S. Treasuries yields and prices for various maturities.

S&P 100 Index Options

Table of S&P 100 Index Options for various strike prices and expiration dates.

Buy GE Engines

TOKYO — Japan Airlines will buy at least 20 CF6-80C2 engines from General Electric Co. for its five new Boeing 747-400 aircraft, a JAL spokesman said Wednesday.

U.S. Treasuries

Table of U.S. Treasuries yields and prices for various maturities.

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Table of U.S. Treasuries yields and prices for various maturities.

Accor INTERIM RESULTS

Table of Accor Interim Results for the six months ended June 30, 1987, showing sales volume, earnings, and net income.

Accor has opened 74 hotel units since January 1, 1987, bringing the total in operation to 608 at the end of September. An additional 69 are under construction.

In the catering field, 290 new contracts were signed, bringing the total number of restaurants served, to 2,220. The total volume of service vouchers issued has advanced 22%.

Group consolidated sales increased by 16.1%. Keeping in mind that Accor's businesses are highly seasonal in nature, earnings for the first half are always weak in comparison to earnings for the full year.

The year so far has been highlighted by several events: — In France: Formula 1, the low budget hotel chain concept, after a successful market testing phase, went into the development stage.

— Abroad: Accor has decided to focus on development of its hotel business in North America, under management contracts for the Sofitel chain and in partnership with Comptel Hotel Corporation.

In Asia, Accor entered an important new development phase with the signature of a 5th hotel contract in China, completion of a 1,000 room construction program in Thailand.

Earnings for the full year should be on target with our forecasts.

Wednesday's AMEX 3pm

Via The Associated Press

12 Month High Stock	Div. Yld. PE	52 Wk High Low	3 P.M. Stock Chg.
120 4	1.41	97	96
144	1.34	114	112
146	1.12	144	142
146	1.12	144	142
146	1.12	144	142

High Stock	Div. Yld. PE	52 Wk High Low	3 P.M. Stock Chg.
120 4	1.41	97	96
144	1.34	114	112
146	1.12	144	142
146	1.12	144	142
146	1.12	144	142

High Stock	Div. Yld. PE	52 Wk High Low	3 P.M. Stock Chg.
120 4	1.41	97	96
144	1.34	114	112
146	1.12	144	142
146	1.12	144	142
146	1.12	144	142

INTERNATIONAL FUNDS (Quotations supplied by Funds Listed) 21st Oct. 1987

ALMAN GROUP	ALFA ROMEO	ALCAN	ALCOA	ALDRICH
ALMAN GROUP	ALFA ROMEO	ALCAN	ALCOA	ALDRICH
ALFA ROMEO	ALCAN	ALCOA	ALDRICH	ALUMINA
ALCAN	ALCOA	ALDRICH	ALUMINA	ALUMINUM
ALCOA	ALDRICH	ALUMINA	ALUMINUM	ALUMINUM

Floating-Rate Notes

Dollars	Issued/End	Coupon Next	Bid	Ask
Dollars	Issued/End	Coupon Next	Bid	Ask
2 1/2	11/15/87	11/15/87	102 1/2	102 3/4
3 1/2	11/15/87	11/15/87	103 1/2	103 3/4
4 1/2	11/15/87	11/15/87	104 1/2	104 3/4

Deutsche Marks

Issued/End	Coupon Next	Bid	Ask
Issued/End	Coupon Next	Bid	Ask
11/15/87	11/15/87	102 1/2	102 3/4
11/15/87	11/15/87	103 1/2	103 3/4

Japanese Yen

Issued/End	Coupon Next	Bid	Ask
Issued/End	Coupon Next	Bid	Ask
11/15/87	11/15/87	102 1/2	102 3/4
11/15/87	11/15/87	103 1/2	103 3/4

Pounds Sterling

Issued/End	Coupon Next	Bid	Ask
Issued/End	Coupon Next	Bid	Ask
11/15/87	11/15/87	102 1/2	102 3/4
11/15/87	11/15/87	103 1/2	103 3/4

AS - Australian Dollars; BF - Belgian Francs; CA - Canadian Dollars; DM - Deutsche Marks; ECU - European Currency Unit; FF - French Francs; Lira - Italian Lira; Luxembourg; France; ... (and other international currencies)

CURRENCY MARKETS

Dollar Edges Higher in Europe

Reuter LONDON — The dollar edged higher in Europe Wednesday, bolstered by news that President Ronald Reagan was willing to discuss tax increases with U.S. congressional leaders, dealers said. Such a move would show that the U.S. administration may be becoming more serious about tackling the fundamental imbalances...

London Dollar Rates table with columns for currency, bid, and ask prices.

waiting for further developments from Monday's meeting between the U.S. Treasury secretary, James A. Baker 3d, and his West German counterpart, Gerhard Stoltenberg. The two men reaffirmed the Louvre accord on currency stability...

But some dealers said the decline in U.S. interest rates, a necessary short-term prop for the stock market, could make the dollar less attractive as an investment vehicle. Sterling saw little action, and on its trade-weighted index was unchanged at 73.4 percent of its 1975 value against a basket of currencies.

Gold Prices Little Changed; Trading Cautious

NEW YORK — Gold prices were mostly unchanged on Wednesday as the bullion market continued to consolidate after the volatile swings of the past two sessions, dealers said. In London, gold was set at \$467.00 an ounce at the afternoon fixing, just above its morning fixing of \$466.65.

U.S. Bond Prices Jump as Reagan Softens on Taxes

NEW YORK — Prices of U.S. government securities rose nearly 1 point on Wednesday amid signals that President Ronald Reagan might be softening his opposition to tax increases, dealers said. Mr. Reagan said that he would argue against a tax rise to trim the U.S. budget deficit, but said he was willing to listen to legislators.

Asked if he was prepared to compromise on the tax issue, Mr. Reagan said, "I don't think you could answer in advance other than say I'm willing to hear" legislators' opinions. In the past, Mr. Reagan has steadfastly opposed any tax rise.

The market was also bolstered by the continued belief of many investors that the Federal Reserve Board will push interest rates lower. Despite a lower rate for federal funds, the overnight reserves that commercial banks trade among themselves, the Fed supplied liquidity to the banking system with overnight system repurchases.

Sharply since the start of the week. On Tuesday, federal funds traded at an average 7.07 percent, and at 7.61 percent on Monday. Still, there was some uncertainty as to whether the low funds rate was a reliable guide. Wednesday was the end of the two-week bank statement period, when funds often behave erratically because banks are squaring their books at the Fed.

Analysts argue that the U.S. government deficit helps boost spending on imports to fill shortfalls in domestic output, thus aggravating the U.S. trade deficit. However, dealers described the market's reaction as muted as it waited for harder news.

Some analysts said the Tokyo exchange may have touched bottom on Tuesday, when the widely watched Nikkei average plunged 3,836.48 points, or 14.9 percent, to 25,190.08.

The future course of interest rates, especially in the United States, and of foreign-exchange rates will also be key factors in determining market directions, analysts said. Some said a downward movement of U.S. interest rates and the stability of the dollar would underpin the markets, preventing further major falls.

The reason for fears of a dollar fall was the failure of the U.S. trade deficit and budget deficit to improve, said Mr. Ishida of Yamaichi Trust. "We are carefully watching for the September U.S. trade figures."

DOLLAR: As Storm Wanes, Focus Returns to Deficit

(Continued from Page 1) The dollar had weakened Monday to just above 140 yen, the lowest since the outbreak of financial markets in Paris last February, and to about 1.77 DM, a touch below the presumed floor of 1.78 DM. But it quickly rebounded, to the great surprise of exchange dealers — and according to them — central bankers.

The big unknown is how much the collapse in U.S. stock prices early this week will contribute to slowing U.S. consumer demand. "If stock prices fully recover and nothing much is done about the U.S. budget deficit" to restrain consumer demand, said Stephen Morris, an economist at the Institute for International Economics in Washington. "We will see renewed pressure driving U.S. interest rates higher, the dollar lower and a renewed decline in stock prices."

One certain way to reduce that deficit would be a recession in the United States. But experts worry that such a cure might be worse than the ailment, setting in motion forces that could fuel a worsening of the debt crisis and a global economic dislocation.

Recession Is Now Top Concern of G-7, Aide Says

TOKYO — The Group of Seven industrial nations are becoming increasingly concerned about a possible world recession following the global stock market crash earlier this week, a senior Finance Ministry official said here Wednesday. The official, who spoke on condition of anonymity, also said Japan may eventually have to accept a small rise of the yen against the dollar.

Wednesday's OTC Prices NASDAQ prices as of 3 p.m. New York Time. Via The Associated Press.

Table of OTC prices for various stocks, including columns for stock name, price, and change.

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Wednesday's AMEX 3pm. Table of stock prices for various companies, including columns for stock name, price, and change.



SPORTS

Cards Win for Tudor, Cutting Series Deficit to 2-1

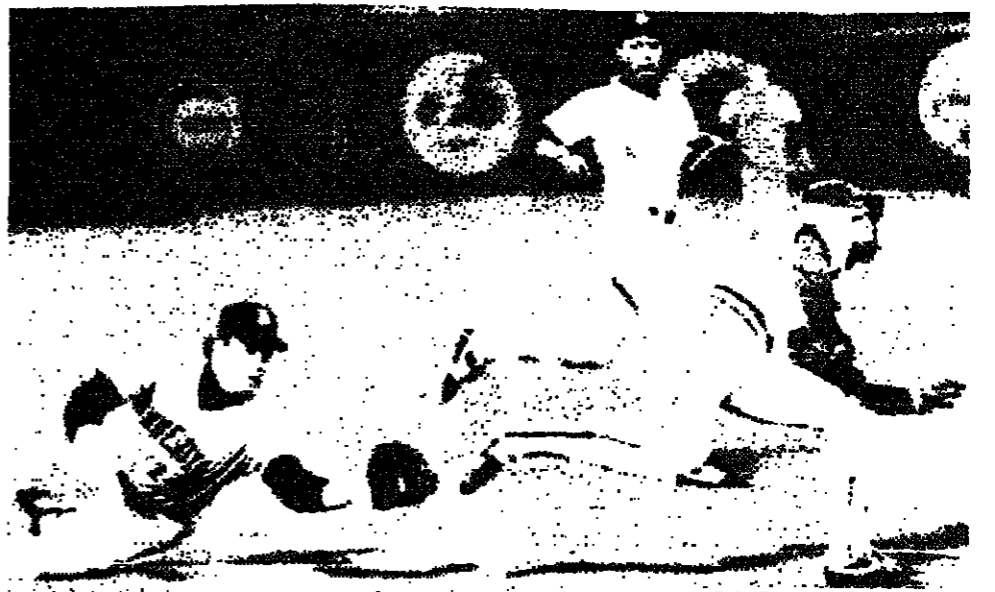
By Joseph Durso
New York Times Service
ST. LOUIS — Far from the tumult of the Metrodome in Minneapolis, the St. Louis Cardinals finally won a game from the Minnesota Twins in the 84th World Series Tuesday night, and just in the nick of time.

Games to none," Worrell said, conceding the danger. "And no team has ever come back from that."
He was right. In fact, 37 teams have lost the first two games of the Series, as the Cardinals did in Minneapolis last weekend, and only 10 of them have survived.

But on a chilly night, the Cardinals were frustrated for six innings by Straker, who spent 10 years in the minor leagues. They got four hits but no runs, and there he was, mashing zeros with the great Tudor.

But with one down in the sixth, Tudor lost some of his precision. He walked Greg Gagne, walked Kirby Puckett on four pitches, then got Gary Gaetti to hit a high pop foul near the Cardinal dugout, where Tony Pena made the catch falling down and moved to third while Pena was extricating himself.

for Tudor, and he dropped a perfect bunt toward third base that advanced the runners to second and third.
"That's our attack," Herzog said. "If Terry hits a one-hopper to one of those guys, they get two outs and we're out of the game and maybe the Series."



The Cardinals' Vince Coleman, bunting for a first-inning base hit, was tagged out by first baseman Kent Hrbek, but he doubled home the deciding runs in the seventh. St. Louis won by 3-1.

Keillor's Folks Take Twins, Not Stock

WASHINGTON — Folks in Lake Wobegon are taking a wait-and-see attitude toward the stock market and are concentrating on watching the Minnesota Twins play in the World Series, the fictional community's most famous native son said Tuesday.

Keillor, who gave up his long-playing Saturday night radio show in June to retreat to Copenhagen with his Danish bride, bemoaned the fates that made the Twins into winners only after he had gone.

Then Tudor faced Tom Brunansky, who reached for a 2-and-2 changeup and lobbed it into right-center for a single and a 1-0 Minnesota lead.

An inning later, Kelly decided that Straker had gone his limit and called for Berenguer to protect the lead. But Jose Oquendo lined Berenguer's first pitch to center for a single, and the Cardinals took their shot.

Tyson Not a Champion Truly Undisputed

By Dave Anderson
New York Times Service
ATLANTIC CITY, New Jersey — Up on the Convention Hall stage, Mike Tyson was discussing his second-round dissection of Tyrell Biggs.

title. Ali was still the public's champion after a three-and-a-half-year exile. Frazier was sanctioned as a champion. Barring a stunning upset somewhere, the Tyson-Spinks plot would be similar.



Mike Tyson: Is there a "man on this planet" who can beat him?

But from behind the assembled listeners, the voice of the boxing public disputed the undisputed champion. "What about Michael Spinks?" the voice called.

By 1989, presumably, Tyson will have been an undefeated champion for more than two years. Spinks dethroned Holmes for the International Boxing Federation title and outpointed him in a rematch, but abdicated before his fifth-round knockout of Gerry Cooney here last June. Spinks has a 31-0 record with 21 knockouts. Tyson is now 32-0, with 28 kayos. Just when some people thought he might be vulnerable to Biggs's height and movement, Tyson never looked more intimidating — even before the bell rang.

Mike Tyson: Is there a "man on this planet" who can beat him?
got up, but another left hook deposited him in his corner.

For all the belts Tyson wears, as long as Spinks is out there undefeated and uninvited, Tyson will never really be the undisputed heavyweight champion.

And judging by Tyson's new unshakable Spinks won't get another chance until 1989.

From the opening bell, Tyson dominated Biggs with his left hook. During the first round Biggs moved quickly and easily, snapping an effective jab occasionally. But by the second round, his mouth bloody, Biggs was flat-footed and his punches were more like pillows. By the third, Biggs was bleeding from a cut over the left eye. In the seventh Tyson's left hook sent Biggs sprawling through the ropes. Biggs

Mike will defend the title against Larry Holmes in January, while in Las Vegas or Atlantic City," said Jacobs. "Let me be a March 21 commitment in Tokyo against somebody in the top five. After that, we're thinking of Frank Bruno, Francesco Danzani, Carl Williams and Tim Witherston."

When we're good and ready," Rooney said. "Spinks had his chance in the tournament. Don't forget that."

And when he was asked about his Jan. 23 title defense against 38-year-old Larry Holmes, he bragged that "there isn't a man on this planet" capable of dethroning him.

When we're good and ready," Rooney said. "Spinks had his chance in the tournament. Don't forget that."

At that time, Muhammad Ali and Joe Frazier each were undefeated and each had a claim to the

When the Tyson-Spinks showdown materializes, another six months will be needed to maximize the closed-circuit TV income. That's why Tyson-Spinks won't happen until 1989 — March at the earliest. But when Tyson-Spinks finally does happen, it will be the best heavyweight plot since Ali-Frazier I in 1971.

At that time, Muhammad Ali and Joe Frazier each were undefeated and each had a claim to the

At that time, Muhammad Ali and Joe Frazier each were undefeated and each had a claim to the

SCOREBOARD

Baseball

Table with columns for Team, Wins, Losses, Runs, Hits, Errors, and other statistics for various baseball teams.

Football

Table with columns for Team, Wins, Losses, Ties, Points For, Points Against, and other statistics for various football teams.

World Series

Summary table for the World Series, showing game results and scores.

U.S. College Leaders

Table listing top college athletes in various sports, including names and schools.

Hockey

Table showing NHL standings, including team names and win-loss records.

Gymnastics

Table showing World Championships results for various gymnastics events.

Golf

Table showing PGA Leaders, listing player names and earnings.

Transition

Table showing National Football League transition information, including player movements.

U.S. Olympic Volleyball Team Goes 2-Up on Soviets

Blocker Craig Buck, above, slammed home a winner and Steve Timmons had a match-high 27 kills to help rally the U.S. Olympic volleyball team to a 12-15, 15-6, 15-7, 16-14 victory over the Soviet Union Tuesday night in Seattle. The U.S. team, ranked No. 1 in the world, beat the second-ranked Soviets in five games Sunday; the three-match tour ended Thursday in Denver.

European Soccer

Table showing European Soccer results, including match scores and player statistics.

Large advertisement for the International Herald Tribune. It features the headline 'Save 40%' and 'or more off your newsstand price when you subscribe for 12 months to the International Herald Tribune.' The ad includes details about subscription rates, a list of countries served, and contact information for the subscription manager.

ART BUCHWALD

Waltzing With Bush

WASHINGTON — Vice President George Bush has been getting a lot of publicity lately, and much of it is well deserved.



Buchwald

"That's different from the way we do it," the vice president said. "The girls back home don't have to do anything more than cursy to announce they are coming out in society. Are there any other questions?"

"Mr. Vice President, you said on the 'Larry King Show' the other night that the Cystic Fibrosis Foundation was fighting Judge Bork's nomination. Did you misspeak?"

By Mike Zwerin  
International Herald Tribune

NEW YORK — Max Gordon is not exactly your run of the mill cigar-chomping impresario named Max. Gentle, modest, tireless, wise and wizened, he was described by the New York Post as "an 85-year-old man who has looked 103 for the last 30 years."

It is hard to imagine what unspeakable things would have happened to jazz without him. He has run his club, the Village Vanguard, seven nights a week, 52 weeks a year for 52 years, more than 30 of them presiding jazz.



Jazz impresario Gordon: "Running a joint is tough."

He spent his evenings in the Stewart Cafeteria eating ketchup sandwiches and discussing the arts with Village poets like Joe Gould and Maxwell Bodenheim. In 1935, he borrowed \$100, bought an upright piano for \$25, barrels from a bankrupt restaurant for chairs with the rest and leased a cellar on Charles Street.

Gordon laughs. "Sit down next to me, Wally," he said. "How about coming in next Tuesday at nine?"

In 1942, Gordon diversified uptown, opening a supper club called the Blue Angel. He presented more expensive acts like Mike Nichols and Elaine May, Bobby Short, Dianah Carroll, Peter Paul and Mary, Pearl Bailey and Carol Burnett. There were Sunday afternoon jam sessions: "Barbra Streisand used to hang out there and once I said to Miles Davis: 'This little girl is a great singer, let's put her on.' Miles growled: 'Man, I don't play for no breads.'"

When business "went sour" on the Upper East Side, "the shut was over. Let the curtain fall. I closed up and went back to the Village Vanguard."

Down home, Herbie Hancock accompanied Streisand ("she was marvelous"), and jazz has been the Vanguard staple since the mid-1950s. If he liked it he booked it, from Ayler (Albert to Zooty [Singleton]) — Gillespie, Mingus, Monk, Mulligan, Chick Corea and the Modern Jazz Quartet. "The place is an acoustic marvel," wrote Gary Giddins in The Village Voice. "Every instrument comes through with vibrant clarity, no matter where you sit."

They were doubleheader stars — Horace Silver opposite Bill Evans or Sonny Rollins alternating with Coleman Hawkins. The club has been jammed for the Mel Lewis big band every Monday for more than 20 years. Wynton Marsalis, Tony Williams, Michel Petrucciani and Illinois Jacquet are regulars. Gordon continues to walk around listening from every angle, although he misses a night or two here and there.

His wife, Lorraine, who has become increasingly active in business affairs, says: "Max still listens to every piece of music in here and if he doesn't like it he won't keep it a secret."

Fawn's Legal Slip-Up

Fawn Hall is in trouble with the law in Washington, but it has nothing to do with the Iran-contra hearings. The former secretary to Lieutenant Colonel Oliver North was issued a ticket when she refused to stop eating a banana in a subway station after being requested to do so by a Metro transit officer, said a spokesman of the Washington Metropolitan Area Transit Authority. It is illegal to eat in rail stations or on vehicles operated by the regional transit authority. The violation carries a \$10 fine, which can be paid at any District of Columbia police station within 15 days, the transit spokesman said. The maximum penalty is \$300 or 10 days in jail.

Princess Diana turned her back on newspaper photographers, saying she saw no reason to cooperate with them amid continued media speculation that her marriage to Prince Charles is in trouble. "I don't see why I should help the press out," the princess said. "I don't do any remarks on the news."

In Richmond, Virginia, the missing bust of Edgar Allan Poe has been found at, of all places, The Raven Inn. An unidentified man carried the bust into the bar about midnight Tuesday and ordered a mixed drink for himself and a beer for the bust. He scribbled Poe's "Spirits of the Dead" on a paper bag and left before the police — whom he had apparently tipped off — arrived. Bruce English, president of the Poe Foundation, said earlier in the day that Halloween pranksters may have been responsible for the weekend theft and that if the bust was returned, no

King Juan Carlos

King Juan Carlos of Spain on Wednesday received the United Nations-sponsored Naesem medal for helping refugees and said he would donate the \$50,000 prize to UN refugee programs in Latin America.

At the presentation ceremony in Geneva, the Spanish monarch called for nations to pull together to aid refugees, saying the efforts of single states are insufficient. "The situation of more than two million Palestinian refugees cannot be solved unless all countries seek a fair solution, such as that of an international peace conference which has been suggested," he told an audience of some 100 people including his wife, Queen Sophia.

"The Telephone," a film starring the actress-comedian Whoopi Goldberg, will be distributed by New World Pictures despite objections. Goldberg had attempted to block release of the film on ground that she was not allowed to participate in the editing as stated in her contract with the motion picture company. But Superior Court Judge Leon Savitch said in Los Angeles that the evidence showed Goldberg, who filed a \$5-million breach of contract suit Sept. 2 against New World and the film's director, Rip Torn, was given ample opportunity to participate in the editing, and that her contract gave rights for final cut to New World.

Michel Laclotte, one of the chief curators at the Musee d'Orsay, was appointed Wednesday as director of the Louvre. Laclotte will have the responsibility of rearranging the Louvre's vast collection and preparing their layout in the museum's new space when the northern wing of the palace is vacated by the Finance Ministry.

\$3.5 Billion for Diamond

NEW YORK — The Porter Rhodes diamond, purchased in 1930 as a wedding gift by the Duke of Westminster, sold for \$3.5 million dollars Tuesday. Sotheby's announced. The diamond, weighing 54.99 carats, was purchased by the London dealer Laurence Graft. The sale of the diamond helped push the total of the sales at the jewelry auction to \$26.7 million, a Sotheby's spokesman said. The diamond, which gets its name from its first owner, was discovered in 1880 in South Africa.

Why is the Reverend

Why is the Reverend Pat Robertson doing so much better in the polls than you? "Because he's using prayer as a political issue."

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